

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015

946

Before the
UNITED STATES COPYRIGHT ROYALTY BOARD
Library of Congress
Washington, D.C.

ORIGINAL

-----:
In Re: : Docket No.
: 15-CRB-0001-WR
Determination of Royalty : (2016-2020)
Rates and Terms for : Volume 4-PUBLIC
Ephemeral Recording and : Pages 946-979
Digital Performance of : Pages 1092-1118
Sound Recordings (Web IV) : Pages 1155-1159
-----: Pages 1193-1204

PUBLIC SESSION

Washington, D.C.

Thursday, April 30, 2015

The hearing in the above-entitled matter
was convened at 9:00 a.m.

BEFORE COPYRIGHT ROYALTY JUDGES:

SUZANNE M. BARNETT, CHIEF JUDGE

DAVID R. STRICKLER, JUDGE

JESSE FEDER, JUDGE

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015

947

1 A P P E A R A N C E S

2

On behalf of SoundExchange:
3 MUNGER TOLLES & OLSON, LLP
GLENN POMERANTZ, ESQUIRE
4 355 South Grand Avenue, 3rd Floor
Los Angeles, California 90071
5 213-683-9107

6

On behalf of GEO Music:
GEORGE JOHNSON
7 GEORGE JOHNSON MUSIC PUBLISHING
23 Music Square East, Suite 204
8 Nashville, Tennessee 37203
615-242-9999

9

On behalf of Pandora Media, Inc.
10 WEIL GOTSHAL & MANGES, LLP
BRUCE RICH, ESQUIRE
11 767 Fifth Avenue
New York, New York 10153
12 212-310-8000

13 On behalf of National Association of Broadcasters:
WILEY REIN, LLP
14 BRUCE G. JOSEPH, ESQUIRE
1776 K Street, N.W.
15 Washington, D.C. 20006
202-719-7453

16

On behalf of iHeartMedia, Inc.
17 KELLOGG, HUBER, HANSEN, TODD,
EVANS & FIGEL, PLLC
18 MARK HANSEN, ESQUIRE
1615 M Street, N.W.
19 Suite 400
Washington, D.C. 20036
20 202-326-7992

21 On behalf of SiriusXM Radio:
ARENT FOX, LLP
22 PAUL FAKLER, ESQUIRE
1675 Broadway
23 New York, New York 10019
212-484-3900

24

25

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015

948

- 1 APPEARANCES (CONTINUED):
- 2 On behalf of National Public Radio:
KING & SPALDING, LLP
- 3 KENNETH L. STEINTHAL, ESQUIRE
101 Second Street
- 4 Suite 2300
San Francisco, California 94105
- 5 415-318-1211
- 6 On behalf of Intercollegiate Broadcasting and
Harvard Radio:
- 7 WILLIAM MALONE, ESQUIRE
40 Cobbler's Green
- 8 205 Main Street
New Canaan, Connecticut 06840
- 9 203-966-4770
- 10 On behalf of National Religious Broadcasters:
WILEY REIN, LLP
- 11 KARYN ABLIN, ESQUIRE
1776 K Street, N.W.
- 12 Washington, D.C. 20006
202-719-7008
- 13
- 14 On behalf of Educational Media Foundation:
DAVID D. OXENFORD, ESQUIRE
WILKINSON BARKER KNAUER, LLP
- 15 2300 N Street, N.W.
Suite 700
- 16 Washington, D.C. 20037
202-783-4141
- 17
- 18 On behalf of College Broadcasters:
CONSTANTINE CANNON
DAVID GOLDEN, ESQUIRE
- 19 1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
- 20 202-204-4527
- 21
- 22
- 23
- 24
- 25

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015

949

1 ALSO PRESENT:
For SoundExchange:
2 Kelly Klaus, Melinda LeMoine, Martha
Larraondo-Klipper, Rose Ehler, Anjan Choudhury,
3 Colin Rushing, Jonathan Blavin, Jennifer Bryant,
Kuruvilla Olasa, Rachel June Draper
4
For SiriusXM:
5 Jackson Toof, Martin Cunniff, Patrick Donnelly,
Cynthia Greer
6
For NPR:
7 Joseph Wetzell, Ethan Davis, Antonio Lewis, Gregory
Lewis
8
For Pandora:
9 Todd Larson, Christopher Harrison, Benjamin Marks,
David Yolkut, Elisabeth Sperle
10
For iHeartMedia:
11 John Thorne, Tres Williams, Rob Wells, Donna
Schneider, Evan Leo, Kevin Miller, Scott
12 Angstreich, Caitlin Hall, Leslie Pope
13
For NAB:
Michael Sturm, Jennifer Elgin, Suzanne Head,
14 Jillian Volkmar
15
Bonnie L. Russo, Capital Reporting Company
16
17
18
19
20
21
22
23
24
25

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015

950

1 C O N T E N T S

2	EXAMINATION OF	DIR	CROSS	RED	REC
	AARON HARRISON				
3	BY MS. EHLER	952		1172	
	BY MR. MALONE		1168		
4	BY MR. STURM		1087		1188
	BY MR. LARSON		1107		
5	BY MR. THORNE		1155		1189

6	EXAMINATION OF	DIR	CROSS	RED	REC
7	SIMON WHEELER				
8	BY MR. CHOUDHURY	1193			

9

10 EXHIBITS ADMITTED IN EVIDENCE

11	SoundExchange		PAGE
12	Exhibit 10 Harrison Testimony		956
	Exhibit 36 Beats Agreement		1006
13	Exhibit 37 Beats Agreement		1006
	Exhibit 38 Beats Agreement		1006
14	Exhibit 35 Partnership Questionnaire		1032
	Exhibit 21 Wheeler Written Statement		1197

15

16

Pandora

17	Exhibit 5046 Presentation Deck		1121
18	Exhibit 5048 Presentation Deck		1125
	Exhibit 5034 Slacker Agreement		1134
19	Exhibit 5035 Fully Executed Amendment 15		1138
	Exhibit 5036 E-Mail Regarding Slacker		1186

20

21

22

23

24

25

1 P R O C E E D I N G S

2

3 (PUBLIC SESSION)

4

5 CHIEF JUDGE BARNETT: Good morning.

6 Please be seated.

7 I'm sorry for the delay. We were

8 waiting for Judge Strickler to finish his

9 monologue. His morning monologue.

10 JUDGE STRICKLER: But serious.

11 CHIEF JUDGE BARNETT: Mr. Pomerantz, I

12 think the ball is still in your court.

13 MR. POMERANTZ: It is in Ms. Ehler's

14 court.

15 MS. EHLER: Good morning, Your Honor.

16 Rose Ehler representing SoundExchange.

17 I would like to call our first witness, Aaron

18 Harrison, from Universal Music Group.

19 MR. RICH: Your Honor, while I witness

20 is coming I want to introduce a new face at our

21 table. Steve Benet is the general counsel of

22 Pandora Media.

23 CHIEF JUDGE BARNETT: Good morning.

24 AARON HARRISON,

25 being first duly sworn, to tell the truth, the

1 whole truth and nothing but the truth, testified as
2 follows:

3 DIRECT EXAMINATION BY COUNSEL FOR SOUNDEXCHANGE

4 BY MS. EHLER:

5 Q. Can you please state your name for the
6 record.

7 A. Aaron Harrison.

8 Q. And where do you work?

9 A. Universal Music Group.

10 Q. How long have you worked for Universal
11 Music Group?

12 A. Close to ten years.

13 Q. What's your position there?

14 A. Senior vice president of business and
15 legal affairs.

16 Q. What group are you in?

17 A. Logo digital business.

18 Q. What are your responsibilities as
19 senior vice president?

20 A. As senior vice president, I structure,
21 negotiate and draft agreements with various digital
22 music services that use the entire repertoire of
23 Universal Music Group, and we also advise the
24 various labels within the Universal Music Group on
25 digital issues.

1 CHIEF JUDGE BARNETT: I'm sorry, Ms.
2 Ehler.

3 Mr. Harrison, your -- the spelling of
4 your name is traditional, two As?

5 THE WITNESS: Yes.

6 CHIEF JUDGE BARNETT: And S-O-N?

7 THE WITNESS: Yes.

8 CHIEF JUDGE BARNETT: Thank you.

9 MS. EHLER: Two Rs.

10 CHIEF JUDGE BARNETT: Two Rs. Okay.

11 In which one?

12 THE WITNESS: In Harrison.

13 MS. EHLER: In Harrison. Two Rs in
14 Harrison.

15 CHIEF JUDGE BARNETT: Thank you.

16 THE WITNESS: I have seen it all ways.

17 BY MS. EHLER:

18 Q. How many deals have you negotiated, Mr.
19 Harrison?

20 A. Over a hundred during the course of my
21 time at Universal.

22 Q. If you open your binder to the first
23 tab, which is marked SoundExchange Exhibit 10, can
24 you tell me what that is?

25 A. Yes.

1 This is my direct testimony in this
2 case.

3 Q. Did you author that testimony?

4 A. Yes.

5 Q. Have you had a chance to review it for
6 any inaccuracies or confirm it's true?

7 A. Yes. I did find one error.

8 Q. Without revealing any restricted
9 information, can you generally describe what that
10 error is?

11 And I believe for everybody's benefit,
12 it's on Paragraph 39.

13 A. Yes.

14 So I accidentally mistranscribed a
15 couple of the numbers from a chart that I was using
16 as the basis for those numbers. One of the numbers
17 is correct, but the other two were from, actually,
18 a different line in the chart.

19 Q. And what was the switch?

20 A. So I accidentally switched the numbers
21 for Uruguay in place of the numbers for the United
22 States.

23 Q. So if everybody wants to know the
24 particular numbers for Uruguay, those are those
25 numbers?

1 A. That's what they are.

2 Q. But for the United States, we'll cover
3 them again later?

4 A. Right.

5 CHIEF JUDGE BARNETT: Which table is
6 that?

7 MS. EHLER: It's actually in Paragraph
8 39, they're the last two numbers in that paragraph.

9 CHIEF JUDGE BARNETT: Thank you.

10 MS. EHLER: They're restricted.

11 BY MS. EHLER:

12 Q. Aside from those two numbers, is
13 everything else true and correct in your testimony?

14 A. Yes.

15 JUDGE STRICKLER: Excuse me, Counsel,
16 did you say Uruguay?

17 MS. EHLER: The two numbers are from a
18 rate card, and it's a line for Uruguay was right
19 below the line for the United States. So even
20 though they're --

21 JUDGE STRICKLER: Oh.

22 MS. EHLER: -- they're quoted as the
23 United States numbers, they're actually the Uruguay
24 numbers.

25 THE WITNESS: It was an alphabetical

1 chart, so I just went one line below it.

2 BY MS. EHLER:

3 Q. So with that correction, is your
4 testimony true and correct?

5 A. Yes.

6 MS. EHLER: I would like to offer into
7 evidence Exhibit 10, which is Mr. Harrison's
8 testimony with that correction.

9 MR. LARSON: No objection.

10 MR. FAKLER: No objection.

11 CHIEF JUDGE BARNETT: Exhibit 10 is
12 admitted. It is a restricted document.

13 (SoundExchange Exhibit No. 10 was
14 admitted into evidence.)

15 JUDGE STRICKLER: The one that you
16 submitted is the change from the one that you
17 originally received and it corrects that Uruguay
18 mistake?

19 MS. EHLER: No. The one you have still
20 has Uruguay mistakes.

21 JUDGE STRICKLER: He's going to fix it
22 in his restricted testimony?

23 MS. EHLER: He's going to fix it in his
24 restricted testimony.

25 BY MS. EHLER:

1 Q. Mr. Harrison, in your written
2 testimony, you describe a change from an ownership
3 model to an access model.

4 What do you mean by that?

5 A. So, historically, the way consumers
6 have acquired music has been through purchase on an
7 a la carte basis, first through vinyl records,
8 through cassettes and CDs, and then most recently
9 permanent downloads. But we have seen a shift over
10 the last few years from that one-by-one a la carte
11 purchase model where you're listening from a copy
12 that's directly on your device, whether that's a
13 stereo, or a phone or a computer to an access model
14 where listeners are consuming music, accessing it
15 from the cloud; meaning from remote servers
16 provided by the digital service as opposed to local
17 storage on the user's device.

18 Q. And --

19 JUDGE STRICKLER: Quick question for
20 you. The CDs were -- before we moved into the
21 digital era, were CDs predominantly only available
22 in album form as opposed to singles form?

23 THE WITNESS: Well, there were CD
24 singles, but CD singles fell dramatically over the
25 life of the CD format. And by the, you know, the

1 mid to late '90s, they weren't really sold very
2 much. Actually, I think the -- I remember physical
3 retailers complaining that there weren't enough
4 physical -- sorry -- CD singles to sell because
5 most of them were just available -- the song was
6 only available in album form.

7 JUDGE STRICKLER: Was that a record
8 industry determination, or your company's
9 determination to sell out CD albums, rather than CD
10 singles?

11 THE WITNESS: I wasn't at Universal
12 during that time, so I can't speak to the intent or
13 what was going on at that time in the industry.

14 JUDGE STRICKLER: But to the extent
15 that CDs were sold in album form as opposed to
16 single form, that wasn't quite the same as an --
17 pure a la carte because it was a bundling. You had
18 to buy the songs from one artist, all of the songs
19 on the album, rather than an a la carte purchase of
20 an individual recording by an individual artist,
21 correct?

22 THE WITNESS: Right.

23 What I mean by a la carte is just a
24 purchase of an individual product on a one-by-one
25 basis, whether that product is an album or a track

1 that even in a -- in a download store now, you can
2 purchase a track or you can purchase an album, but
3 we consider that entire download store to be an a
4 la carte download store because you're buying an
5 item one or one-by-one basis; whereas, in a cloud
6 service or a streaming service, generally the whole
7 catalog of music is available to you, with some
8 exceptions, and you can just decide what you want
9 to play at any particular time.

10 JUDGE STRICKLER: So when the sale of
11 CD albums, you had a la carte bundles, so-to-speak,
12 bundles from an artist?

13 THE WITNESS: Correct. That's correct.

14 JUDGE STRICKLER: Thank you.

15 BY MS. EHLEER:

16 Q. How has that shift from ownership or
17 the a la carte model to these access services
18 changed your approach to digital licensing?

19 A. Well, it's changed it quite a bit. So
20 the record industry in the past was primarily
21 focused on units and a charge for it can be an end
22 all be all to the labels. They would charge for --
23 they would clamor for a chart position. They
24 wanted to make sure they were number one in the
25 charts, and units were really the focus of the

1 labels and the marketing folks.

2 Now in a digital world, and as we're
3 moving away from -- the consumers are moving away
4 from download sales and more towards an access
5 model, we have to focus more on revenue. And so
6 the two things that we're most concerned about are
7 growing the number of users that are consuming
8 music, and that actually has been fairly
9 successful. I think consumption is up, generally,
10 in the music industry.

11 But the second prong is the more
12 challenging one, and that's generating more revenue
13 per each user. So we've changed our -- our metric
14 that we're most concerned about from units to ARPU
15 or average revenue per user.

16 Q. And has the importance of revenue from
17 streaming services changed over that period of
18 time?

19 A. It's changed greatly. When I started
20 at Universal in 2005, streaming was considered a
21 niche product and the ancillary revenue stream that
22 wasn't considered much by the labels. I think it
23 was only about 3 percent of the -- of Universal's
24 revenue. But now it's very significant revenue
25 stream. It's actually recently surpassed CD sales

1 and physical sales as the second most important
2 revenue channel right after download sales.

3 JUDGE STRICKLER: Counsel, when you
4 refer to streaming being that important, are you
5 distinguishing in your answer between interactive
6 and noninteractive?

7 THE WITNESS: No. Streaming as a
8 whole.

9 JUDGE STRICKLER: Thank you.

10 BY MS. EHLEER:

11 Q. And how does that change in the
12 importance of streaming as a source of revenue
13 impact Universal's ability to achieve a return on
14 its investment in sound recordings?

15 A. Well, it means that streaming is a much
16 bigger factor in how we analyze our return on
17 investment and also the profits that we're able to
18 make in music and in media music sales and music
19 exploitation that we can then reinvest back into
20 new music creation, whether that's in signing
21 artists, spending the time to develop them to get
22 them ready to release music and then recording that
23 music and marketing and distributing it.

24 Q. Has there been as much revenue to do
25 that since this transition?

1 A. No. I mean, revenues have fallen, you
2 know, ever since I have been at the company.
3 They've somewhat stabilized over the last three or
4 four years, but at a much lower level, and I think
5 the last I saw the -- the industry as a whole was,
6 you know flat to down maybe a half a percent in
7 2014.

8 JUDGE STRICKLER: How do you think it
9 has stabilized after falling for the revenue so to
10 speak?

11 THE WITNESS: Well, I think part of it
12 is that we are more aggressively moving towards
13 that, that shift into the access model and trying
14 to, you know, support as many subscription services
15 as possible to help grow those services. So, you
16 know, Spotify has, in particular, really --

17 BY MS. EHLER:

18 Q. I don't want you to get into restricted
19 information. If you -- if your answer wasn't going
20 to, please go ahead. I'm sorry.

21 A. Okay. Yeah, I mean -- so I think we
22 have done a good job as an industry adapting to the
23 new ways that consumers are acquiring music and
24 providing them with that music whenever and
25 wherever they want it. So even though certain

1 sales channels have fallen, we've been able to
2 shift to other sales channels. So while the mix of
3 music consumption, how music is acquired, how it's
4 paid for, and what revenues generate from it, we're
5 able to adapt and kind of adjust to that mix to
6 maximize the revenue that we're bringing from --
7 from the way that music is made available to
8 consumers.

9 JUDGE STRICKLER: Those shifts, as far
10 as you know, reduce the desire for the consumers to
11 buy pirates as opposed to or access music to
12 pirates as opposed to accessing music from legal
13 services?

14 THE WITNESS: We hope so, and that's
15 definitely the goal. You know, we've spent the
16 last several years on the one hand trying to fight
17 against illegitimate services like Casale, Limewire
18 and Pirate Bay. But, then, on the other hand,
19 trying to legitimize services that have, in the
20 past, used our music in unlicensed ways, like
21 iMesh, for instance.

22 So we've -- I think we've done a good
23 job at reducing the instance of piracy and we have
24 limited it to kind of a hard core pirate user. But
25 we're never really going to change. There's always

1 going to be some segment of the population that is
2 going to pirate music, and we can't do anything to
3 necessarily stop those hard core users, but we're
4 working hard to provide as many legal alternatives
5 as possible so that the users who want to get music
6 in a convenient and easy way, we provided them many
7 options for that.

8 JUDGE STRICKLER: And was one of the
9 goals to reduce the price of the legal services so
10 piracy didn't seem so attractive -- relatively
11 attractive from an economic point of view?

12 THE WITNESS: Yes. I mean, we've --
13 all of the legitimate services have to compete with
14 free, and that's the primary, I think, control or
15 restrictions that they have to face. They -- each
16 of the subscription services has to realize that,
17 you know, a consumer can go on to the app store and
18 get a multitude of free services instead of getting
19 one of the paid subscription services. So they
20 need to, one, have a lot of ways to get users into
21 the service to try it on a free basis for some
22 period of time, whether that's a trial period or
23 whether that's a free tier with an upsell to
24 subscription, but they have to get those consumers
25 in the door in the first place, and then they have

1 to provide enough value and at a low enough
2 perceived price that the consumer is willing to
3 migrate from that free use of music to a paid use
4 of music.

5 JUDGE STRICKLER: When you talk about
6 this migration, are you talking about from an
7 ad-supported legal service to a subscription-based
8 legal service?

9 THE WITNESS: That's one of the ways.
10 Or it could be from another service that they're
11 already using that is not -- that has no upsell to
12 pay, but the subscription service could offer a
13 free trial, a 7-day, 15-day, 30-day free trial to
14 be able to try all of the features of the service
15 without any, you know, conditions, and hopefully
16 after they get into the service and they experience
17 it for a while, they will decide to continue to
18 start paying for the subscription once the trial
19 period is over.

20 JUDGE STRICKLER: Is one of the ways
21 you also try to stabilize revenues -- was one of
22 the ways to try to get consumers or listeners, I
23 should say, to migrate from terrestrial radio to
24 some sort of a service that generated royalties?

25 THE WITNESS: No. We haven't focused

1 on terrestrial radio at all in terms of migration
2 of possibility. We think -- I mean, looking at the
3 statistics, almost everybody in the U.S. listens to
4 radio. That's just one of the ways that they
5 listen to music. And we don't think of terrestrial
6 as much as an end-product consumption. It
7 certainly is for a certain number of users that
8 just aren't interested in being music buyers at
9 all. They just turn it on in the car and that's
10 it.

11 But for people that we think of as
12 music consumers, who are accessing music outside
13 the car, also, on their phones, at home, and
14 other places for listening entertainment purposes.
15 But we don't really see terrestrial radio as a
16 competitor or some -- something where we need to
17 migrate from terrestrial to subscription.

18 Terrestrial radio, I think, is seen
19 more as a platform where we can break artists and
20 get the DJs to, you know, pump up those artists, do
21 interviews with those artists, and talk about new
22 album release, so hopefully they migrate from
23 terrestrial radio to actually purchasing the album
24 on an a la carte -- based, you know, on individual
25 one-by-one purchase basis.

1 JUDGE STRICKLER: Thank you.

2 BY MS. EHLER:

3 Q. Just following up on one point you were
4 making, how does YouTube fit into the consumer
5 landscape?

6 A. Well, YouTube is the largest streaming
7 service out there. Many people use YouTube as a
8 primary consumption method of music, and even
9 though it's a video-playing service, a lot of
10 people do use it for audio purposes.

11 Q. And does that affect the consumer price
12 that you were talking about for subscription
13 services?

14 A. Yes. I mean, it drags the market down,
15 for sure.

16 Q. And why is that?

17 A. Well, because YouTube is able to use
18 the DMCA Safe Harbor so that they have a very -- a
19 fairly strong argument. You know, they won the
20 case against Viacom on user uploading, such that
21 they can credibly tell the record labels that we
22 don't really need a license from you. We're not --
23 we don't have to provide content on our own. We
24 can just rely on users to upload the content, and
25 because they have a billion users who are

1 constantly uploading content every minute of every
2 day, they will always have all of the content
3 available on YouTube, and it's impossible to take
4 it all down through DMCA takedown processes.

5 So we're, you know, forced into a
6 situation where we have to license YouTube in order
7 to make some revenue on the platform because the
8 music is going to be there whether we like it or
9 not. We at least have to try to monetize it as
10 much as possible.

11 Q. Earlier, you said the word "ARPU."
12 What does that mean?

13 A. It stands for average revenue per user
14 and it's a metric that we use to gauge the success
15 of services to determine where we want to position
16 our support and our strategy and where we think we
17 can see the most growth. I mean, as we move from a
18 physical world to a digital world, you know, now in
19 the U.S., Universal is 80 percent digital. Our
20 music revenue is 80 percent digital, only 20
21 percent physical. And so we have to look at the
22 world more like other digital and technology
23 companies do, and they primarily rely on ARPU
24 metrics. So social media companies look at how
25 much revenue they're making per user, the

1 telecommunications companies look at how much money
2 they're making per subscriber, and so we need to
3 look at the world in the same way to gauge the
4 success of our business.

5 JUDGE STRICKLER: Do you have to look
6 at ARPU in the same way when you look -- because
7 you referred to digital. Let me back up.

8 When you refer to digital, were you
9 referring to digital downloads as well as
10 streaming?

11 THE WITNESS: Yes. When I reference
12 the 80 percent number?

13 JUDGE STRICKLER: Right.

14 THE WITNESS: Yes.

15 JUDGE STRICKLER: So the emphasis on
16 ARPU applies to digital downloads as well as
17 streaming?

18 THE WITNESS: Yes. Yeah. So we look a
19 lot at how much each iTunes user provides on an
20 annual basis to Universal.

21 BY MS. EHLER:

22 Q. Why is a high ARPU streaming service
23 important to Universal?

24 A. Because they will generate more revenue
25 for the company and add more to our bottom line.

1 Q. And is that -- how does that relate
2 with the transition to the access models that we
3 discussed earlier?

4 A. It means that we really need to look
5 closely at where -- what services are making the
6 most money per user, as well as which services have
7 the most users. So we can't just look, as I said
8 before, at units. You know, we have lots of
9 services that generate a huge volume of units if
10 you consider a streaming unit, but they're not
11 necessarily generating much revenue per user. So
12 that's not necessarily good for us because that
13 consumption of units is potentially taking away
14 from the consumption of units at higher ARPU
15 services, and we want to support those higher ARPU
16 services so that we can make more money as a
17 company that then gets funneled back to the labels
18 to invest in music creation.

19 Q. Do you have a sense of whether music
20 streaming services -- and I'm speaking very
21 generally -- promote UMG's other services of
22 revenue?

23 A. Sorry. Could you repeat the question?

24 Q. Do you have a sense of whether music
25 streaming services generally promote Universal's

1 other sources of revenues, so CD downloads?

2 A. We haven't found that streaming
3 services promote other services because they're a
4 consumption model in itself. I mean, they're
5 making the end product available. You know, it's
6 not a sample or it's not a portion of that end
7 product. It's the full end product. So there's
8 not as much need to purchase the music when you
9 have all the music available at your fingertips.

10 Q. And what's your evidence for that
11 general sense?

12 A. Well, we have seen sales, meaning
13 download sales and physical sales, declining
14 drastically over the last few years, especially
15 since 2013. Even download sales, which had been
16 the primary growth driver in the business, started
17 falling dramatically and now have recently, in some
18 periods, at least, exceeded the decline in CD
19 sales. So we really need the streaming services to
20 generate more revenue for us in order to maintain
21 our level of investment in music and to
22 sufficiently pay our artists so that they, you
23 know, continue to, you know, want to renew their
24 recording agreements with us and to make new music,
25 as well.

1 JUDGE STRICKLER: You need that revenue
2 in order to maintain your ability to make those
3 payments, as well, and you also need that revenue
4 to maintain a level of profit that you find
5 satisfactory?

6 THE WITNESS: That's correct. We're
7 owned by Vivendi, and they have a financial plan
8 for us each year. We have to hit that target.

9 JUDGE STRICKLER: Is there a reluctance
10 to mention that you try to meet profit goals as
11 well as cover costs?

12 THE WITNESS: No, and that's -- that's
13 one of the kind of given and obvious goals of any
14 business.

15 JUDGE STRICKLER: It's equally given
16 and obvious that you need to cover your costs.
17 When we have industry witnesses, I'm always struck
18 by the fact that you don't want to mention the fact
19 that you want -- you need to make a profit, which
20 seems perfectly, as you say, obvious -- equally as
21 obvious as meeting costs.

22 THE WITNESS: Right.

23 I think the profit maximization goal is
24 definitely -- you know, it's a top goal of the
25 company. The reason why I focus more on funding

1 music creation has to do with just the statutory
2 components that we're talking about in this
3 proceeding, you know, contribution of creating new
4 music. So that -- we are trying to use that money
5 to create new music and to add additional content
6 that can be used by the streaming services in the
7 future.

8 JUDGE STRICKLER: You also need profits
9 to have the incentive to go and do that so that you
10 can create music.

11 THE WITNESS: Yes, of course. So
12 the -- if Vivendi, for instance, sees that this is
13 not a profit-making business, they're going to want
14 to sell our business, but it's going to be hard to
15 find buyers of the business if they don't see that
16 profit.

17 JUDGE STRICKLER: So profit drives
18 creativity just like covering the costs of the
19 creator for the product?

20 THE WITNESS: That's correct.

21 JUDGE STRICKLER: Thank you.

22 BY MS. EHLER:

23 Q. You described a general trend in the
24 market a minute ago. If the music streaming
25 services were promotional to other sources of

1 revenue like CDs and downloads, would you expect to
2 see a different trend in the market?

3 A. Well, of course. I mean, if streaming
4 services were promotional, then, as we have seen
5 the consumption of streaming skyrocket over the
6 last few years, we should have seen kind of a
7 corresponding growth in sales revenue. I believe
8 we've seen the opposite; as streaming services have
9 increased, the sales have declined.

10 Q. Do you consider the promotional and
11 substitutional effects of the streaming services
12 when you are negotiating direct licenses?

13 A. It's in the background and it's
14 generally not explicitly considered in any
15 particular deal. The promotional effect is not
16 really considered at all because, as I explained
17 before, we don't really see a promotional effect in
18 any new service, unless it's a clip service and we
19 might see some promotional effects for licensing of
20 30-second clips or -- you know, we did a deal with
21 a game called a SongPop where you have to -- you
22 listen to ten-second clips and have to name the
23 song and then at the end of that game you get the
24 actual name and artwork of all the songs that were
25 just played with a buy link. You know, that,

1 potentially, could be promotional. But we don't
2 consider promotional effects in full-track services
3 because the consumer is getting the end product.

4 You know, we -- in terms of
5 substitutional effects, we have to consider the
6 marketplace as a whole. So we never negotiate
7 deals in a vacuum. We always consider, you know,
8 where this particular service would fit in the
9 overall digital ecosystem and, you know, we hope
10 that services are as additive as possible, but
11 we're realistic in knowing that there is a
12 potential cannibalization aspect to each new
13 service that we license, so we have to figure out,
14 you know, how each service can differentiate from
15 other services and hopefully grow the market
16 overall.

17 JUDGE STRICKLER: Excuse me, Counsel.

18 Just following up on that answer, Mr.
19 Harrison, so when you do a digital deal, you do
20 consider the substitution or cannibalization effect
21 as you -- as you described it, right?

22 THE WITNESS: Yes.

23 JUDGE STRICKLER: So the rate that is
24 set in the negotiations is reflective of what you
25 anticipate is the cannibalization or substitution

1 effect of the direct service on -- on other aspects
2 of the digital ecosystem, as you described,
3 correct?

4 THE WITNESS: Yes, I would say all of
5 those considerations are built into the final
6 negotiated rate once we sign the agreement.

7 JUDGE STRICKLER: So the
8 cannibalization, if we're talking about a direct
9 service, is a cannibalization of digital downloads,
10 perhaps? Is that one issue you're concerned with,
11 that someone who would become a listener on
12 Spotify, for example, might then, therefore, be
13 less likely to buy songs through the iTunes store,
14 for example, a digital download that way, and that
15 would be an example of cannibalization? Is that
16 what you mean?

17 THE WITNESS: That's a good example.
18 Yeah, it does depends on the deal. We don't always
19 just think of the impact on downloads. We might
20 think of the impact on other streaming services.
21 But Spotify is a good example where, you know, we
22 have -- for the initial year or two that Spotify
23 was --

24 JUDGE STRICKLER: Let me just stop you
25 for a second.

1 THE WITNESS: Okay.

2 JUDGE STRICKLER: Just to make sure
3 when you answer, you don't give anything
4 restricted.

5 THE WITNESS: Right, right.

6 So, you know, we've seen, you know,
7 different effects of different services, and our
8 learning and our -- kind of our thinking about the
9 digital ecosystem has changed over time. I mean,
10 as new evidence has come out, as we've seen the
11 performance data from various services. So we --
12 we can never -- we can't remain in a static
13 strategy. We're constantly having to adjust and
14 see what's going on in the marketplace to try to
15 hit that optimal level of revenue and optimal
16 amount of music exploitation.

17 JUDGE STRICKLER: So if I was looking
18 at the -- the per performance rate or percentage of
19 revenue rate that I would see in a direct license
20 between Universal and any of the direct or
21 interactive services, those rates would incorporate
22 already Universal's best understanding of the cost
23 of substitution or cannibalization of digital
24 downloads; is that a fair statement?

25 THE WITNESS: It would be a combination

1 of the rates and also the service description or
2 functionality that's described.

3 JUDGE STRICKLER: Okay. I should not
4 say rates. The overall value of the deal, let's
5 put it that way --

6 THE WITNESS: All the terms and
7 conditions.

8 JUDGE STRICKLER: Yes. Thank you.

9 I'll say value as a shorthand for that.
10 The overall value of the deal to Universal, when we
11 look at the terms, including the rates, all the
12 terms, we reflect Universal's best understanding of
13 what the substitution of cannibalization effect
14 that was a negative effect would be in those terms
15 and conditions and rates will all attempt to
16 account for that; is that a fair statement?

17 THE WITNESS: I think that's fair.

18 JUDGE STRICKLAND: Okay. Thank you.

19 BY MS. EHLER:

20 Q. I think you may have touched on my next
21 question, but in the situation where Universal's
22 negotiating a direct to license, would you agree to
23 lower rates for a service with a low ARPU if you
24 thought it would attract users from a service with
25 a higher ARPU?

1 MR. STURM: Objection. Leading, Your
2 Honor.

3 CHIEF JUDGE BARNETT: Sustained.

4 BY MS. EHLER:

5 Q. Would the impact of the ARPU of a
6 service on other services affect the way -- affect
7 whether you were willing to give it a lower rate?

8 A. Well, as I said before, the -- we look
9 at every service in the context of the marketplace
10 as a whole and we know that the plays of one
11 service could take away the plays of another
12 service, and we want to generally support and drive
13 as much usage as possible toward the higher ARPU
14 services so that we can make as much money as
15 possible.

16 MS. EHLER: Your Honor, I'm about to
17 move into restricted information, if we could clear
18 the courtroom.

19 CHIEF JUDGE BARNETT: Anyone in the
20 hearing room who has not signed a nondisclosure
21 certificate, please wait outside.

22 (THIS ENDS PUBLIC SESSION)

23 (RESTRICTED SESSION BOUND SEPARATELY)

24

25

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015

980

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 (THIS BEGINS PUBLIC SESSION)

2 CHIEF JUDGE BARNETT: Sorry. Hearing
3 room. Old habits die hard.

4 BY MR. STURM:

5 Q. Mr. Harrison, you've been with
6 Universal for about ten years, correct?

7 A. Correct.

8 Q. And Ms. Ehler asked you some questions
9 about your job responsibilities. Your job at
10 Universal is primarily legal as opposed to
11 business, correct?

12 A. Correct.

13 Q. And immediately before joining
14 Universal, you were in private law practice for
15 about six years?

16 A. Yeah, close to six years.

17 Q. In addition to being a lawyer for
18 Universal, you're also on the licensing committee
19 for SoundExchange, right?

20 A. That's right.

21 Q. And you've been on that committee about
22 seven years, since 2008?

23 A. Something like that.

24 Q. And the licensing committee includes
25 you on behalf of Universal, right?

1 A. Yes.

2 Q. Mr. Wilcox, who is a future witness
3 from Warner, right?

4 A. Right.

5 Q. Two representatives from Sony, right?

6 A. Jeff Walker and Andrea Finkelstein.

7 Q. Those two are from Sony?

8 A. Yes.

9 Q. Also Mr. Van Arman, who I believe
10 testified on Tuesday. He's on the licensing
11 committee?

12 A. Yes.

13 Q. Now, that licensing committee of
14 SoundExchange is scheduled to meet every week by
15 telephone, right?

16 A. That's right.

17 Q. And the primary discussion -- subject
18 of discussions on those telephone conferences in
19 the licensing committee is strategy for the CRB
20 litigation, correct?

21 MS. EHLER: Objection, Your Honor, to
22 the extent it's calling for privileged information.

23 MR. STURM: Well, I didn't ask the
24 nature of the strategy and it is a question that he
25 answered at his deposition. To the extent there

1 was any privilege, it was waived.

2 CHIEF JUDGE BARNETT: Overruled.

3 I think you can answer that question.

4 THE WITNESS: Could you repeat the
5 question?

6 BY MR. STURM:

7 Q. Yeah.

8 The primary subject of these weekly
9 telephone conferences for the SoundExchange
10 licenses committee is strategy for the CRB
11 litigation, correct?

12 A. That's a common subject.

13 Q. And what are -- are there other common
14 subjects, without getting into anything privileged?

15 A. We talk about settlement deals for
16 different constituencies of statutorily licensed
17 services.

18 Q. Thank you.

19 In your written direct testimony, you
20 say that Universal's share of the U.S. recorded
21 music market is about 38 percent, right?

22 A. Right.

23 Q. That includes EMI which you acquired in
24 2012, right?

25 A. Right.

1 Q. Then, at your deposition, you estimated
2 that Sony was just under 30 percent, right?

3 A. Right.

4 Q. And you have read your deposition, I
5 assume, recently in preparation for your testimony
6 here?

7 A. Yes.

8 Q. Okay. So Mr. Kooker testified a couple
9 of days ago in open court that Sony's share was 26
10 to 28 percent. So ballpark the same as what you
11 said.

12 So if you add your 38 percent and use
13 27 percent for Sony, that's 65 percent of the U.S.
14 recorded music market, right?

15 A. Right.

16 Q. And then Warner is about another 20
17 percent, right?

18 A. Something like that.

19 Q. So just doing the math, it's fair to
20 say that you guys getting together for your weekly
21 licensing committee meetings control 85 percent of
22 the U.S. recorded music market, right?

23 A. That's right. Those companies.

24 Q. That's true.

25 If you add some of the others, it might

1 be even a little bit higher than that, correct?

2 A. Correct.

3 Q. Let's talk a little bit about your
4 negotiations with interactive services. I think
5 you testified on direct that in a renegotiation
6 with Slacker, you gave them some relief on a
7 minimum guarantee because -- well, let me see if I
8 can -- you, on occasion, have given some relief
9 when services have indicated that they were
10 unprofitable?

11 MS. EHLER: I just want to be careful
12 about confidential to the extent it's getting into
13 any specifics.

14 I don't know if Mr. Harrison can answer
15 without revealing sensitive business information.

16 CHIEF JUDGE BARNETT: I appreciate
17 that, and Mr. Harrison can certainly indicate if he
18 feels he cannot.

19 BY MR. STURM:

20 Q. Are you comfortable answering that
21 question?

22 A. Could you repeat the question?

23 Q. Sure.

24 As rephrased, it was on occasion you
25 have given some relief to services in negotiations

1 based on suggestions that they were not being
2 profitable; is that fair, without getting into any
3 details?

4 A. That's fair.

5 Q. Okay. But you have never lowered any
6 of the rates that you are proposing as a
7 consequence to finding out some other major was
8 offering a lower rate, correct?

9 A. I don't recall that happening.

10 Q. Okay. And at the time of your
11 deposition, you couldn't think of any action that
12 Universal has ever taken to compete with Sony or
13 Warner with respect to licensing its services,
14 correct?

15 A. Well, we have matched price in download
16 stores in the past to a lower price.

17 Q. Okay. Do you have tab -- the
18 cross-examination binder there?

19 A. Yes.

20 Q. Will you look at Page 218, please?
21 Should be right in the first part of the binder.

22 JUDGE FEDER: And that's 218 of the
23 deposition transcript?

24 MR. STURM: Yes, sir.

25 MS. EHLEER: I apologize. I'm truly not

1 trying to be an obstructionist.

2 The deposition was designated
3 restrictive, and if you want to just give me a
4 second to look and make sure --

5 MR. STURM: Yes.

6 MS. EHLER: -- that we're willing to
7 unrestrict that --

8 MR. STURM: Right.

9 MS. EHLER: -- piece of information.

10 MR. STURM: So it's at 218, Line 7 to
11 Line 10.

12 MS. EHLER: I think that section is
13 okay.

14 Thank you.

15 BY MR. STURM:

16 Q. So you're at Page 218 of your
17 deposition?

18 A. Yes.

19 Q. And did I ask, at that time, and did
20 you answer, question: "Are there any actions you
21 can think of that Universal takes to compete with
22 Sony and Warner or Warner with respect to
23 services?"

24 Answer: "No."

25 A. Yes.

1 Q. Now, you have had services -- without
2 getting into any specifics -- come in and say, you
3 know, if you cut your rates I'll play more of your
4 music, right? Services have made that pitch to
5 you?

6 A. I think it's mainly been in the
7 inverse, meaning that if the rates are too high we
8 won't play your content as much or won't
9 merchandise the content as much.

10 Q. Okay.

11 A. But it's a reasonable inference from
12 that.

13 Q. Okay. But that doesn't sway your
14 decision as to what you're going to offer, correct,
15 that argument?

16 A. Correct.

17 Q. And that's because you always want to
18 get the highest rate possible, correct?

19 A. Correct.

20 Q. Ms. Ehler asked you some questions
21 about whether the perceived promotional or
22 substitutional effect of the service affects the
23 rates that Universal is willing to offer that
24 service. I believe this was done in open session.
25 And I believe you said that it's in the background,

1 is what I wrote down.

2 Is that an accurate summary of your
3 testimony?

4 A. That's accurate.

5 Q. Okay. But I asked you that question at
6 your deposition, right? Do you remember that?

7 A. No. If you could point me to that
8 page.

9 Q. Sure.

10 Page 194. And before I read it, I'll
11 give Ms. Ehler a chance to look.

12 MS. EHLER: What lines are you looking
13 at?

14 MR. STURM: 194, Line 9. And we will
15 go on to maybe Line 20.

16 MS. EHLER: Okay.

17 BY MR. STURM:

18 Q. So, at your deposition, I asked you,
19 question: "Does the perceived promotional or
20 substitutionally affect the service, affect the
21 rates that Universal is willing to offer for a
22 particular service?"

23 Your answer was: "Yes."

24 Right?

25 A. Right.

1 Q. And the way that the rate is affected
2 is that the higher the level of interactivity, the
3 higher the rate, right?

4 I'm sorry. I wasn't quoting. That was
5 a new question to you.

6 A. Oh, sorry.

7 Can you repeat the question?

8 Q. Yeah.

9 So the way the rate is affected is that
10 the higher the level of interactivity, the higher
11 the rate, right?

12 A. That's right.

13 Q. And the lower the level of
14 interactivity, the lower the rate, right?

15 A. Right.

16 Q. And the reason for that is you think
17 on-demand or higher levels of interactivity are
18 more substitutional than less on-demand, correct?

19 A. Correct.

20 Q. And, in fact, if you were to rank
21 streaming services from least substitutional to
22 most, the order would be simulcast, then custom,
23 then on-demand, correct?

24 A. Yes.

25 Q. So simulcast is the least

1 substitutional, right?

2 A. Right.

3 The simulcast, as I understand it,
4 which is playing the same broadcast on the Internet
5 that's being played on terrestrial.

6 Q. Right.

7 So that's the least substitutional,
8 right?

9 A. Right.

10 Q. On-demand is the most substitutional,
11 right?

12 A. Right.

13 Q. And custom is somewhere in the middle?

14 A. That's right.

15 Q. And is that hierarchy based on data you
16 have reviewed, or is that just your perception from
17 being in the industry?

18 A. It's more perception from being in the
19 industry.

20 Q. And you certainly -- you haven't seen
21 any data that contradicts that hierarchy that you
22 just testified to, correct?

23 A. Correct.

24 Q. And you believe that if there are
25 limited -- if customization is limited, a lower

1 rate can be justified, correct?

2 A. Correct.

3 Q. And some of the factors that would be
4 relevant to that would be whether there is thumbs
5 up and thumbs down. That's relevant, right? If
6 you can use that functionality -- if you can't use
7 that functionality, you would agree rates should be
8 lower, right?

9 A. Yeah. There are sets of features that
10 could make a service more interactive or less
11 interactive. Thumbs up, thumbs down is one of
12 them, but it depends what the entire context of
13 what the service is in combination.

14 Q. Right.

15 And another feature would be related to
16 a particular hit, a particular artist, right?

17 A. That's right.

18 Q. Sliding between more and less
19 discovery, that would be another one, right?

20 A. Right.

21 Q. And when you mentioned it in your
22 deposition was mood based influence, right? That's
23 another one?

24 A. Right.

25 Q. And simulcasting -- basic simulcasting

1 doesn't have any of those things that you've just
2 been talking about, correct?

3 A. I'm not aware of simulcasting having
4 those inputs.

5 Q. Sorry to switch binders on you.

6 Do you have your -- the binder that Ms.
7 Ehler gave you, the -- your written direct
8 testimony?

9 A. Yes.

10 Q. So look on Page 7, Paragraph 13.

11 A. Okay.

12 Q. So I'm starting, I guess, with the
13 second sentence -- well, let's start with the first
14 few sentences of that paragraph. You say, "In our
15 experience," the services ability to return
16 sufficient value to Universal depends on the amount
17 of average revenue per user, ARPU, the services can
18 generate. In particular, we have found that
19 streaming services cannot generate sufficient ARPU
20 through advertising a loan. This is, in part,
21 because streaming services are reticent to play
22 advertisements at the same frequency as terrestrial
23 radio."

24 I assume I read that correctly?

25 A. Yes.

1 Q. Okay. You don't have any data to show
2 or any reason to believe that the ad load for
3 simulcasters is any less than terrestrial radio,
4 correct?

5 A. I don't have any evidence to that
6 effect.

7 Q. So when you talk about streaming
8 services in that third sentence that I just read
9 there, you're not talking about simulcasters,
10 right?

11 A. That's not what I was thinking of when
12 I wrote that sentence.

13 Q. A few sentences down you say,
14 "Publicly-available statements from streaming
15 services reflect the services predictions that
16 advertising revenues will grow as advertisers
17 become more comfortable with the audience that the
18 services reach."

19 I read that correctly, right?

20 A. Right.

21 Q. But that prediction is also not from
22 simulcasters, right?

23 A. No. That's not the source.

24 Q. Let's flip back a couple of pages to
25 Paragraph 18, which is on Page 10, the last -- are

1 you there?

2 A. Yes.

3 Q. Okay. So I'm looking at the last
4 sentence of that paragraph, and you say, "As a
5 result, I believe that the statutory rates need to
6 increase over the next rate term to reflect the
7 fact that customized webcasting services are
8 becoming more and more personalized and competing
9 directly with the on-demand services."

10 But simulcasting of terrestrial radio
11 isn't becoming more personalized than it was
12 before, is it?

13 A. I don't know that it is. It
14 theoretically could, but I don't know that it is.

15 JUDGE STRICKLER: When you say,
16 "theoretically could," what's your basis for that
17 statement?

18 THE WITNESS: Well, that simulcasts
19 could replace programming that was in the original
20 terrestrial broadcast with other programming. I
21 mean, you can switch out tracks that are played.
22 You could theoretically include tracks in place of
23 ad space. So they have the technology to
24 manipulate the programming that's in the simulcast
25 to make it different from what was on the

1 terrestrial broadcast.

2 JUDGE STRICKLER: Thank you.

3 BY MR. STURM:

4 Q. But, in that event, it would still be a
5 one to -- a one to many broadcast as opposed to a
6 one-to-one custom situation, right?

7 A. I'm not positive.

8 Q. And you haven't -- you are not aware
9 that this is actually being done. You're just
10 saying it's technologically possible, correct?

11 A. Correct.

12 MR. STURM: I don't have any further
13 questions, Your Honor.

14 Thank you.

15 CHIEF JUDGE BARNETT: Thank you, Mr.
16 Sturm.

17 I apologize for calling you Mr. Miller
18 a while ago. I'll use the excuse that I'm old.

19 Mr. Larson.

20 MR. LARSON: Thank you, Your Honor.

21 CROSS-EXAMINATION BY COUNSEL FOR PANDORA MEDIA

22 BY MR. LARSON:

23 Q. Good afternoon, Mr. Harrison.

24 A. Good afternoon.

25 Q. I'm Todd Larson. We have met before.

1 I'm here on behalf of Pandora Media. Let's start,
2 if we could, just with some basics. We talked a
3 lot today about the interactive services and I have
4 a few questions there.

5 If you could look at Page 10 or, I'm
6 sorry, Paragraph 10 of your testimony. You will
7 see there's a sentence -- it's the second sentence,
8 it says, "Customized webcasting services transmit
9 individual recordings to individual users."

10 Do you see that?

11 A. Yes.

12 Q. All right. And you don't mean by that
13 to suggest that users of a customized service can
14 pick a particular recording to listen to, correct?

15 A. No.

16 Q. In fact, a user of a customized service
17 like Pandora can't pick a particular recording to
18 listen to, correct?

19 A. That's right. They can just pick a
20 recording to play a playlist like that recording.

21 Q. Right.

22 But they can't pick the recordings that
23 they're going to hear, correct?

24 A. No. Although that recording could come
25 up later in the playlist. It just doesn't come up

1 at the first track in the playlist.

2 Q. Now, on an on-demand service like
3 Spotify, a user can pick the particular track that
4 he or she is going to hear, right?

5 A. Depending on the service tier, yes.

6 Q. And so on the premium Spotify service?

7 A. That's correct.

8 Q. And on the Spotify free service, on the
9 desktop, as well, correct?

10 A. That's correct.

11 Q. Now, a user on Pandora cannot choose
12 and listen to a particular album, correct?

13 A. That's correct.

14 Q. And a user of an on-demand service like
15 Rhapsody or Rdio can select and listen to an entire
16 album; is that right?

17 A. That's right.

18 Q. And they can listen to that album over
19 and over if they want to?

20 A. That's right.

21 Q. And other Rhapsody users -- I'm sorry.
22 Let me go back one step.

23 A user on Rhapsody and Rdio can also
24 construct playlists where they pick each track in
25 the playlist, correct?

1 A. Correct.

2 Q. And other Rhapsody users who might
3 choose to listen to that playlist can see every
4 song on that playlist ahead of time song by song;
5 is that right?

6 A. That's right.

7 Q. And a Pandora user -- I think we may
8 have covered this, but I'll ask just to be sure. A
9 Pandora user can't construct a track by track
10 playlist with tracks of his or her choice, correct?

11 A. No, they cannot.

12 Q. And if a Pandora user listens to a
13 friend's station, that Pandora user can't see the
14 tracks that will be included in the station; is
15 that right?

16 A. That's right.

17 Q. And the Pandora user can't even see the
18 title of the next song that's coming, correct?

19 A. That's correct.

20 Q. In Paragraph 30, your testimony
21 mentions the Spotify free tier. I think we talked
22 about this a good bit on your direct, the Spotify
23 shuffle service.

24 Do you remember that?

25 A. Yes.

1 Q. Okay. And so, again, just to -- so
2 we're all using the same terminology, Spotify has
3 both a paid tier and a free tier; is that right?

4 A. That's right.

5 Q. And as to the free tier, that's
6 available both on the desktop and on mobile phones,
7 right?

8 A. So the on-demand free tier is available
9 on the desktop and the shuffle is available on
10 mobile.

11 Q. Right. Thank you.

12 So just to be clear, on the desktop,
13 the free version of Spotify is fully on-demand,
14 correct?

15 A. That's correct.

16 Q. And it has the features we were just
17 talking about a moment ago where users can pick
18 particular songs or albums, correct?

19 A. That's correct.

20 Q. And then the -- the free service for
21 Spotify and the mobile is what's called the shuffle
22 service you talk about?

23 A. Yes.

24 Q. And the shuffle service allows a user
25 to pick an album, a particular album and hear up to

1 six songs from that album in the first hour of
2 listening, correct?

3 A. Correct.

4 Q. And that shuffle service allows the
5 user to pick an artist and hear songs, a shuffle of
6 songs only from that artist, correct?

7 A. That's correct.

8 Q. And that -- the shuffle feature also
9 allows the user to select a playlist where he or
10 she can see -- know what songs are on the playlist,
11 but then they hear it in a shuffled order, correct?

12 A. Yes, that's possible, yes.

13 Q. And none of that's allowed by a
14 statutory service, correct?

15 A. Correct.

16 Q. And would all be beyond the sound
17 recording performance complement?

18 A. Right.

19 Q. Mr. Sturm just asked you a couple of
20 questions about the ad load and statutory services.
21 Just look at Paragraph 13, if you could, of your
22 testimony.

23 I think Mr. Sturm pointed you to this
24 sentence. You say, "webcasting services are
25 reticent to play ads at the same frequency as

1 terrestrial radio?"

2 Do you see that?

3 A. Yes.

4 Q. Your assumption in that statement is
5 that streaming services could sell more ads if they
6 wanted to, correct?

7 A. Correct.

8 Q. And your support for that, I think you
9 told me at your deposition, is reading press
10 reports and analyst reports, that sort of thing?

11 A. Yes, that's correct.

12 Q. And you don't actually know for sure
13 whether Pandora could or could not increase its
14 revenue if it ran more ads than it's currently
15 running, correct?

16 A. Not on Pandora, although we've -- we
17 have seen that iHeartRadio hasn't played any ads in
18 order to try and compete with Pandora's light ad
19 load. So, you know, they're not even trying to
20 sell ads or make revenues. They're really just
21 focusing on growing their user base.

22 Q. You don't know how many users Pandora
23 could upsell to its subscription service if it
24 increased its ad load on the free service, correct?

25 A. No.

1 Q. Look at Paragraph 16, if you would, of
2 your testimony. In Paragraph 16, you suggest in
3 the last sentence that Pandora is streaming music
4 to users who might otherwise pay for a
5 subscription.

6 Do you see that?

7 A. Yes.

8 Q. You don't have any evidence as to what
9 number of free Pandora users would sign up for
10 Pandora I, the subscription product, if there was
11 no Pandora free service, correct?

12 A. That's correct.

13 Q. And you don't have any evidence, I take
14 it, or you haven't cited any in your testimony, at
15 least, that there is some meaningful group of users
16 who would be willing to pay to subscribe to Pandora
17 beyond those who already have, correct?

18 A. I don't have the data because I don't
19 get reported to, but Pandora, I think, had some
20 growth from what I recall when they had a play cap
21 or an hours cap on their free service. So when
22 they took it away, I would expect that that growth
23 would decline.

24 Q. You recognize in your direct testimony
25 -- in your direct with Ms. Ehler that there are

1 some people who just aren't willing to pay for a
2 subscription service, correct?

3 A. Correct.

4 Q. Let's look at Paragraph 10. And sorry
5 for bouncing around, but I'm trying to do the
6 public questions before the restricted.

7 In the last sentence there, you suggest
8 that customized Internet radio creates a diminished
9 need to create a recording.

10 Do you see that?

11 A. Yes.

12 Q. And you also claim that streaming
13 services -- and this is going over to Paragraph
14 11 -- streaming services are drawing customers and
15 revenue away from the sale of permanent downloads
16 and CDs, correct?

17 A. Correct.

18 Q. Right.

19 So you're making the claim -- I think
20 on your direct you said you didn't have evidence
21 that Pandora was promotional, but here you're
22 actually suggesting that Pandora is substitutional
23 in sales, correct?

24 A. Correct.

25 Q. And I think Ms. Ehler on direct asked

1 you for your -- what evidence you have related to
2 that question.

3 Do you remember that?

4 A. Yes.

5 Q. And I believe your answer was the fact
6 that sales have been declining in the last few
7 years at the same time that listeners' shift to
8 streaming services has increased; is that right?

9 A. That's right.

10 Q. All right. But you've got no evidence
11 that listening to statutory webcasting is actually
12 the cause of the decline in sales of permanent
13 downloads and CDs; is that right?

14 A. Right. We don't have any --

15 Q. That's fine. Your counsel will have a
16 chance to ask you some questions if he wants to.

17 So when you wrote the sentence, these
18 sentences regarding the substitutional nature of
19 webcasting services, you weren't thinking of any
20 specific study or analysis that showed some
21 causation between statutory webcasting and
22 declining downloads or CD sales, correct?

23 A. No. It was my industry, sense and
24 industry experience.

25 Q. Now, Judge Strickler asked you some

1 questions on direct about whether you factor
2 substitution. Is the potential substitution of a
3 direct license to partner into your direct deals.

4 Do you remember that?

5 A. Yes.

6 Q. And you indicated that you do consider
7 that in your deals, correct?

8 A. Correct.

9 Q. And you acknowledge that the
10 substitutional impact of statutory webcasting
11 services might differ from the substitutional
12 impact of on-demand services; is that right?

13 A. That's right.

14 Q. If that's true, then isn't it also the
15 case that your direct deal with a statutory
16 webcaster might look somewhat different than your
17 direct deals that you do with on-demand services?

18 A. I guess it's possible.

19 Q. In Paragraph 18 of your testimony, if
20 you could take a look at that, in the middle of
21 that paragraph, you claim that on-demand
22 subscription services compete with statutory
23 services for large portions of the same basic
24 users; is that right?

25 A. Yes.

1 Q. And you didn't base that contention on
2 any research demonstrating that Pandora users would
3 otherwise subscribe to an on-demand service if
4 Pandora weren't available, correct?

5 A. Correct.

6 Q. And you acknowledge that Pandora
7 competes with terrestrial radio, right?

8 A. Right.

9 Q. And you're aware that Pandora is
10 increasingly available in the car through various
11 integrations with automakers?

12 A. Yes.

13 Q. And, in your view, that fact would tend
14 to increase the possible competition between
15 Pandora and terrestrial radio that's also available
16 in the car; is that right?

17 A. It should.

18 MR. LARSON: With that, Your Honor, I
19 am up to some restricted material and I'm afraid I
20 would have to ask to close the courtroom.

21 CHIEF JUDGE BARNETT: Okay. Anyone who
22 is in the courtroom who has not signed the
23 nondisclosure certificate, please wait outside.

24 (THIS ENDS PUBLIC SESSION)

25 (RESTRICTED SESSION BOUND SEPARATELY)

1 (THIS BEGINS OPEN SESSION)

2 CROSS-EXAMINATION BY COUNSEL FOR IHEARTRADIO

3 BY MR. THORNE:

4 Q. Mr. Harrison, I am John Thorne
5 representing iHeartRadio. I'm going to be able to
6 be brief thanks to our colleague's questions which
7 covered some of the stuff I was going to cover, but
8 let me just start off with something she may have
9 said and I will be clarifying.

10 Under current rates, Universal Music
11 Group's streaming revenues are currently growing
12 fast enough to offset the decline in downloads.
13 That's correct, isn't it?

14 A. On digital downloads, yes.

15 Q. Under the current rates. That includes
16 that Pandora is paying roughly half the statutory
17 rate at the moment; is that correct?

18 A. That's correct.

19 Q. And then in 2014, it was the case that
20 the growth of streaming had covered all the decline
21 in downloads; is that correct?

22 A. The decline in downloads, yes.

23 Q. And likewise, in 2015, which is not
24 finished, you're still projecting -- you project
25 that the streaming will cover -- the growth in

1 streaming will cover any decline in downloads that
2 is expected in 2015; is that correct?

3 A. I don't know their prediction in 2015.

4 Q. You mentioned that UMG is owned by
5 Vivendi?

6 A. Yes.

7 Q. And you understand that Vivendi's
8 chairman and CEO is Arnaud de Puyfontaine? Did I
9 say that right?

10 A. I don't know if you said it correctly,
11 but I believe that Vivendi's chairman is Vincent
12 Bollore.

13 Q. So earlier, the chairman Jean-Rene
14 Fourtou would have been the chair?

15 A. Might have been an interim chair. I
16 can't remember.

17 Q. So if he was speaking as CEO to
18 analysts and investors in February, two weeks ago,
19 if the transcript said he was CEO, he might have
20 been CEO, he might not have been?

21 A. Certainly possible.

22 Q. You don't know?

23 A. No.

24 Q. You don't know.

25 Do you have any understanding at all

1 about what is going to happen in 2015 to the growth
2 of streaming, whether it is going to cover the
3 decline in downloads that you talked about?

4 A. I don't know.

5 Q. You don't know. Would the CEO, whoever
6 he is, know?

7 A. Well, the CEO probably has access to
8 financial plans that make a prediction, but I don't
9 think he knows.

10 Q. He has an obligation to be careful in
11 talking to analysts and investors, and you know
12 that because you are a lawyer; is that correct?

13 A. Yes.

14 Q. And likewise, the chief financial
15 officer of Vivendi would have to be cautious in
16 talking about financials with analysts and
17 investors; is that correct?

18 A. Correct.

19 Q. So your testimony mentioned that there
20 was a very specific decline in downloads in January
21 of 2014.

22 Do you remember that?

23 A. Yes.

24 Q. And at the end of that same quarter, so
25 the end of the first quarter of 2014, it was true,

1 wasn't it, that your CFO, the CFO of Vivendi
2 believed streaming will be a good thing for the
3 industry in the future in order to change the
4 consumption model for masses of people; is that
5 right?

6 A. That's certainly the hope.

7 Q. And then the CFO at that time, when you
8 just had the blip in downloads, believed that
9 Universal was clearly in a good position to benefit
10 from the growth of streaming; is that correct?

11 A. Correct.

12 Q. So I was going to offer Universal Music
13 Group's full-year strategic plan from 2015 to 2019,
14 but I think I will save it for Mr. Caraeff and see
15 if he is familiar with that.

16 But assuming that what was produced to
17 us in response to our interrogatories by
18 SoundExchange is accurate, I would like to ask you
19 some questions.

20 MR. THORNE: I'm going to have to go on
21 restricted materials at this point, Your Honor.

22 CHIEF JUDGE BARNETT: Okay. I had
23 forgotten we had reopened. If you are not a
24 signatory to a nondisclosure certificate, could you
25 please wait outside.

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015

1159

1 (THIS ENDS PUBLIC SESSION)
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 (THIS BEGINS PUBLIC SESSION)

2 MR. RICH: Your Honor, before the
3 examination begins, if I may, Mr. Marks will be
4 handling this witness for Pandora.

5 CHIEF JUDGE BARNETT: Thank you.

6 MS. ELGIN: Your Honor,
7 cross-examination for NAB, Jennifer Elgin.

8 MS. POPE: And for iHeart, Leslie Pope.

9 MR. TOOF: Judge, Jackson Toof subbing
10 in for Paul Fakler for SiriusXM. I doubt I'll have
11 any cross-examination but just wanted to introduce
12 myself.

13 CHIEF JUDGE BARNETT: Thank you. I
14 wondered what happened to Mr. Fakler. He didn't
15 leave the ship unmanned.

16 MR. TOOF: He did not.

17 DIRECT EXAMINATION BY COUNSEL FOR SOUNDEXCHANGE

18 BY MR. CHOUDHURY:

19 Q. Good afternoon, Mr. Wheeler. I have
20 "good morning" written in my outline, but -- as it
21 were.

22 Where are you currently employed, and
23 what is your position?

24 A. I'm currently employed by the Beggars
25 Group of record labels based in London. And I am

1 the director of digital.

2 Q. And what was your position before you
3 were director of digital?

4 A. We don't really have a full job title
5 structure at Beggars. But if you want to put a
6 name on it, I was head of new media back in those
7 days.

8 Q. And how many employees are in the
9 digital department at Beggars Group?

10 A. Just myself. We decided about six or
11 seven years ago to dispense all the digital
12 business and just make it part of what everyone
13 does. So digital is pretty engrained with
14 everything we do as a company.

15 Q. When was the first time you worked on
16 licensing for the online distribution of sound
17 recordings?

18 A. We made our first deal in 1997 with a
19 company called Amplified.com. It -- we think we
20 were the first company of any significant size to
21 make a digital distribution deal for our catalog at
22 that point in time.

23 CHIEF JUDGE BARNETT: Could you repeat
24 the name of the service.

25 THE WITNESS: Amplified.com.

1 CHIEF JUDGE BARNETT: Thank you.

2 MR. CHOUDHURY:

3 Q. And have you been involved in any trade
4 associations or other organizations in the music
5 industry?

6 A. Yes. Beggars Group is a big supporter
7 of the independent sector and is instrumental in
8 many organizations representing the independent
9 sector.

10 Myself, I am the chairman of new media
11 committee at the Association of Independent Music,
12 which is the U.K. trade association for independent
13 record labels. I also work closely with its
14 American equivalent, A2IM.

15 I've worked closely with Merlin, which
16 is a licensing body for independent labels.

17 I'm on the board of Video Performance
18 Limited, which administers the full cost and
19 performance rights of music videos in the U.K.
20 across the entire industry.

21 And I'm also on the board of
22 Consolidated Independent, which is a technical
23 services company for independent labels.

24 Q. And besides your work at Beggars Group
25 and the associations, organizations you just named,

1 have you otherwise been involved in the music
2 industry?

3 A. I've been fortunately enough that I've
4 worked in music all my life. I've never done
5 anything else. I've been a performer, musician,
6 remixer, studio producer, engineer. I've played
7 live. I was signed to the Beggars Group labels
8 very briefly too.

9 Q. And are you still a performer?

10 A. I don't have time for that anymore,
11 unfortunately. I realized that I was better at the
12 business side of things than I was at the music
13 side of things.

14 Q. Me too.

15 I'm going to ask you to take a look at
16 the written direct testimony. I'm going to ask you
17 to take a look at the document in front of you,
18 SoundExchange Trial Exhibit 21.

19 Do you recognize this document?

20 A. Yes, I do.

21 Q. What is it?

22 A. It's my testimony to this court for
23 proceedings on behalf of SoundExchange.

24 Q. Did you prepare this testimony?

25 A. Yes, I did.

1 Q. If you could look at the last page of
2 the exhibit.

3 Is that your signature?

4 A. Yes, it is.

5 Q. Is the information in your written
6 testimony true and correct?

7 A. Yes, it is.

8 MR. CHOUDHURY: Okay. At this time,
9 Your Honor, I move for admission of SoundExchange
10 Trial Exhibit 21.

11 MR. MARKS: Mindful of the Court's
12 prior rulings, no objection.

13 MS. POPE: No objection.

14 MR. TOOF: No objection.

15 CHIEF JUDGE BARNETT: SoundExchange
16 Exhibit 21 is admitted.

17 (SoundExchange Exhibit No. 21 was
18 admitted into evidence.)

19 BY MR. CHOUDHURY:

20 Q. Mr. Wheeler, what are the record labels
21 that comprise the Beggars Group?

22 A. We're a small -- we're a set of a small
23 number of labels. Consists of 4AD Records, Matador
24 Records, Rough Trade Records, EX Recordings. And
25 recently we've added young Turks records to our

1 group of companies.

2 Q. And how many artists are signed
3 currently to Beggars Group labels?

4 A. At any one point in time, there's
5 roughly about a hundred artists currently signed to
6 our labels.

7 Q. About how many sound records do Beggars
8 Group labels release in a typical year?

9 A. In a regular year, we aim to release
10 somewhere in the region of 40, maybe 45 albums. So
11 that probably comprises around about 500 sounds
12 recordings. We have a catalog of just over 20,000
13 sound recordings in total.

14 Q. And who are some of these artist in the
15 Beggars Group?

16 A. We work with a very diverse range of
17 artists from the smallest to the biggest. Some of
18 our artists would be Adele, Vampire Weekend, The
19 xx, Alabama Shakes, The Pixies, The Cult, Queens of
20 the Stone Age, and many, many more, which are much
21 smaller and less likely to be known by this court.

22 Q. And let me ask you: Did you sign these
23 acts after they were famous?

24 A. No. It's our business model to find
25 artists before anyone knows about them. So when we

1 first discovered Adele, which is quite a few years
2 ago now, she was 16 years old. She was still at
3 school. She was playing gigs, and I saw her
4 upstairs in a back room of a pub in East London,
5 and she was absolutely awesome.

6 Q. She may still be.

7 Let me ask you how does the Beggars
8 Group compare to other independent record
9 companies?

10 A. The Beggars Group is in a pretty unique
11 position in the industry. We've been in existence
12 for around about 40 years. We have probably the
13 catalog of most successful and influential music
14 coming from the independent sector.

15 We have had historically a number of
16 hugely successful artists, which has enabled us to
17 get to the position that we are.

18 We have offices in 13 counties around
19 the world. We employ about 160 people around the
20 world. So for an independent label, we are
21 definitely quite a large organization.

22 Q. Are you supportive of the independent
23 record community in general?

24 A. We have a reputation of being quite
25 altruistic when it comes to the independent sector.

1 My chairman and the group has been instrumental in
2 setting up independent trade bodies to start within
3 the U.K. but also in the U.S. and across Europe.
4 And it has definitely a good reputation for looking
5 after the independent sector and not just of our
6 own interests.

7 Q. Mr. Wheeler, let me ask you, in the
8 course of your position, do you follow the product
9 offerings of streaming services?

10 A. I do. That's a core part of my job.

11 Q. Well, so what changes have you seen in
12 the product offerings of -- let's start with
13 interactive streaming services over the last five
14 years?

15 A. We find that old music services are
16 looking to innovate and provide different and more
17 sophisticated services to their users, trying to
18 provide best possible music experience.

19 We find in that there's so much data
20 been created over the years, that that data, when
21 mined, can really be honing in on what the users
22 want so as to provide a much more targeted music
23 experience and giving the users much more what
24 they -- I guess they don't know they want but
25 actually what they're happy to listen to.

1 Q. Have you seen any changes in the
2 features that interactive service have offered over
3 the last five years?

4 A. Yeah. There's a constant stream of
5 innovation really. I think well enough to mine the
6 data, making the services overly more
7 sophisticated, there's been a move towards more
8 mood programming where consumers can select, "I'm
9 in a coffee shop. I'm working. Give me a
10 soundtrack to this," hit the button and get a
11 constant stream of music which they can do their
12 work to or homework or whatever their activity, go
13 to the gym, relax in the morning, those types of
14 things.

15 Q. I'm testifying at the CRB --

16 A. Yeah. That would be --

17 Q. -- in the afternoon.

18 A. -- a fairly dull soundtrack, to be
19 honest.

20 Q. Let me ask you --

21 JUDGE STRICKLER: Do you have dirges in
22 your repertoire?

23 THE WITNESS: Well, I don't think you
24 would have any of our repertoire in it.

25 BY MR. CHOUDHURY:

1 Q. Let me ask you, well, what changes in
2 futures, if any, have you seen in the product
3 offerings of non-interactive services over the last
4 five years?

5 A. Well, like I said, they're trying to
6 make the services deliver more and more what the
7 consumer wants, keep it on the services, make it
8 sticky. So if you're talking sort of more
9 personalized radio type of services, that's the
10 mood-based, the genre-based we were just talking
11 about.

12 Q. Can you think of an example?

13 A. Songza was an interesting company,
14 which was acquired by Google last year and brought
15 into the Google Play offering and the Beats music
16 service uses curation and mood as a really key part
17 of their offering for consumers.

18 Q. Now, was Beats music a noninteractive
19 or interactive service?

20 A. That's an interactive service.

21 Q. You said it had a mood-based curation
22 offering?

23 A. Yeah. I think the on-demand, fully
24 interactive services all started to offer more of
25 this passive, lean-back type of experiences.

1 They're less work for the consumers. As I say,
2 they can just hit a button and get a constant
3 stream of music that they like.

4 Q. Well, can you think of any example,
5 besides Beats, of an interactive service that has
6 offered this kind of experience you're describing?

7 A. I think pretty much all services,
8 Spotify, Rdio, Xbox, I think they all have that
9 type of functionality nowadays.

10 Q. Mr. Wheeler, your testimony, I believe
11 you say customized webcasting may substitute for
12 subscription-based models.

13 Why?

14 A. Well, as I've just been explaining, the
15 more sophisticated recommendations get, the more
16 tuned in to each individual user that these
17 services get, the more that they're delivering the
18 music that each individual user would like to hear.

19 So I think the more targeted and the
20 more perfect that gets, the less need the consumers
21 going to have to say upgrade to a premium offering
22 because he's getting enough music.

23 And I think that's the phrase that I
24 hear quite a lot in talking to our peers in the
25 industry is that services are delivering enough

1 music to mean the consumers don't feel they need to
2 pay for a more sophisticated or an advanced
3 services.

4 Q. Well, let me ask you, have you seen any
5 other information or evidence in the market to
6 support that deal?

7 A. Well, interestingly, what we've seen
8 with one of the services is that, in the United
9 States, the usage on that service is 20 percent
10 higher than the usage we see in other countries,
11 you know, particularly across the European
12 countries.

13 And that can only lead us to believe
14 that consumers in the United States are, on the
15 whole, experiencing a more laid-back -- lean-back
16 type of experience, you know, more of a give me a
17 feed of the music I like type of experience.

18 MR. CHOUDHURY: Your Honor, at this
19 time I actually need to move into a restricted
20 section.

21 CHIEF JUDGE BARNETT: Anyone in the
22 courtroom who didn't sign a nondisclosure
23 certificate, please exit.

24 (THIS ENDS PUBLIC SESSION)

25 (RESTRICTED SESSION BOUND SEPARATELY)

1 CERTIFICATE OF COURT REPORTER

2

3 I, Bonnie L. Russo, do hereby certify that the
4 foregoing transcript is a true record of the
5 proceedings to the best of my ability, that I am
6 not related to or employed by any of the parties
7 involved in these proceedings, and, further, that I
8 am not a relative or employee of any attorney or
9 counsel employed by the parties hereto, or
10 financially interested in the proceedings.

11

Bonnie L. Russo

12

13 _____
Notary Public

14

15 My Commission Expires:

16 May 16, 2016

17

18

19

20

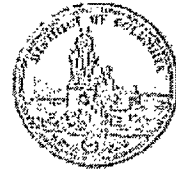
21

22

23

24

25



Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 1

<u>0</u>	1199:2 1240:16	947:15	40 948:7 1198:10
06840 948:8	160 1199:19	202-783-4141	1199:12
<u>1</u>	1615 947:18	948:16	400 947:19
10 950:12 953:23	1675 947:22	203-966-4770	415-318-1211
956:7,11,13	1776 947:14	948:9	948:5
1098:11 1105:25	948:11	204 947:7	45 1198:10
1108:5,6 1115:4	18 1105:25	205 948:8	4AD 1197:23
1001 948:19	1117:19	21 950:14 1196:18	4-PUBLIC 946:8
10019 947:23	194 1100:10,14	1197:10,16,17	<u>5</u>
1006 950:12,13	1997 1194:18	212-310-8000	500 1198:11
101 948:3	<u>2</u>	947:12	5034 950:18
10153 947:11	20 968:20 1095:16	212-484-3900	5035 950:19
1032 950:14	1100:15 1204:9	947:23	5036 950:19
1087 950:4	20,000 1198:12	213-683-9107	5046 950:17
1092-1118 946:9	20004 948:19	947:5	5048 950:18
11 1115:14	20006 947:15	218 1097:20,22	<u>6</u>
1107 950:4	948:12	1098:10,16	615-242-9999
1121 950:17	20036 947:19	23 947:7	947:8
1125 950:18	20037 948:16	2300 948:4,15	65 1095:13
1134 950:18	2005 960:20	26 1095:9	<u>7</u>
1138 950:19	2008 1092:22	27 1095:13	7 1098:10 1104:10
1155 950:5	2012 1094:24	28 1095:10	700 948:15
1155-1159 946:9	2013 971:15	<u>3</u>	767 947:11
1168 950:3	2014 962:7	3 960:23	7-day 965:13
1172 950:3	1155:19	30 946:14 1095:2	<u>8</u>
1186 950:19	1157:21,25	1110:20	80 968:19,20
1188 950:4	2015 946:14	30-day 965:13	969:12
1189 950:5	1155:23	30-second 974:20	85 1095:21
1193 950:8	1156:2,3 1157:1	35 950:14	<u>9</u>
1193-1204 946:10	1158:13	355 947:4	9 1100:14
1197 950:14	2016 1240:16	36 950:12	9:00 946:17
13 1104:10	2016-2020 946:7	37 950:13	90071 947:4
1112:21 1199:18	2019 1158:13	37203 947:8	90s 958:1
15 950:19	202-204-4527	38 950:13 1094:21	94105 948:4
15-CRB-0001-	948:20	1095:12	946-979 946:8
WR 946:7	202-326-7992	39 954:12 955:8	
15-day 965:13	947:20	3rd 947:4	
16 1114:1,2	202-719-7008	<u>4</u>	
	948:12		
	202-719-7453		

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 2

952 950:3	acts 1198:23	affairs 952:15	alternatives 964:4
956 950:12	actual 974:24	affect 967:11	altruistic 1199:25
<hr/> A <hr/>	actually 954:17	979:6 1100:20	am 1118:19
a.m 946:17	955:7,23 958:2	affected 1101:1,9	1155:4 1193:25
A2IM 1195:14	960:8,25 966:23	affects 1099:22	1195:10
Aaron 950:2	1107:9 1113:12	afraid 1118:19	1240:5,8
951:17,24 952:7	1115:22 1116:11	afternoon	Amendment
ability 961:13	1200:25 1204:19	1107:23,24	950:19
972:2 1104:15	ad 1105:2 1106:23	1193:19 1201:17	American 1195:14
1240:5	1112:20	against 963:17	amount 977:16
able 961:17	1113:18,24	967:20	1104:16
963:1,5 965:14	adapt 963:5	Age 1198:20	Amplified.com
967:17 1155:5	adapting 962:22	aggressively	1194:19,25
ABLIN 948:11	add 969:25 973:5	962:12	analysis 1116:20
above-entitled	1095:12,25	ago 973:24 1095:9	analyst 1113:10
946:16	added 1197:25	1107:18 1111:17	analysts 1156:18
absolutely 1199:5	addition 1092:17	1156:18 1194:11	1157:11,16
access 957:3,13	additional 973:5	1199:2	analyze 961:16
959:17 960:4	additive 975:10	agreement	ancillary 960:21
962:13 963:11	Adele 1198:18	950:12,13,18	Andrea 1093:6
970:2 1157:7	1199:1	976:6	Angeles 947:4
accessing 957:14	adjust 963:5	agreements	Angstreich 949:12
963:12 966:12	977:13	952:21 971:24	Anjan 949:2
accidentally	administers	ahead 962:20	annual 969:20
954:14,20	1195:18	1110:4	answer 961:5
account 978:16	admission 1197:9	aim 1198:9	962:19 975:18
accurate 1100:2,4	admitted 950:10	Alabama 1198:19	977:3 1094:3
1158:18	956:12,14	album 957:22	1096:14
achieve 961:13	1197:16,18	958:6,15,19,25	1098:20,24
acknowledge	ads 1112:25	959:2 966:22,23	1100:23 1116:5
1117:9 1118:6	1113:5,14,17,20	1109:12,16,18	answered 1093:25
acquired 957:6	ad-supported	1111:25 1112:1	answering
963:3 1094:23	965:7	albums 958:9	1096:20
1202:14	advanced 1204:2	959:11 1111:18	anticipate 975:25
acquiring 962:23	advertisements	1198:10	Antonio 949:7
across 1195:20	1104:22	allowed 1112:13	anymore 1196:10
1200:3 1204:11	advertisers	allows 1111:24	anyone 979:19
action 1097:11	1105:16	1112:4,9	1118:21 1198:25
actions 1098:20	advertising	alphabetical	1204:21
activity 1201:12	1104:20 1105:16	955:25	anything 964:2
	advise 952:23	already 965:11	977:3 1094:14
		977:22 1114:17	

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 3

1196:5 apologize 1097:25 1107:17 app 964:17 APPEARANCES 948:1 applies 969:16 appreciate 1096:16 approach 959:18 April 946:14 aren't 966:8 1115:1 ARENT 947:21 argument 967:19 1099:15 Arman 1093:9 Arnaud 1156:8 ARPU 960:14 968:11,23 969:6,16,22 970:14,15 978:23,25 979:5,13 1104:17,19 artist 958:18,20 959:12 1103:16 1112:5,6 1198:14 artists 961:21 966:19,20,21 971:22 1198:2,5,17,18,2 5 1199:16 artwork 974:24 Aside 955:12 aspect 975:12 aspects 976:1 association 947:13 1195:11,12 associations 1195:4,25	assume 1095:5 1104:24 assuming 1158:16 assumption 1113:4 attempt 978:15 attorney 1240:8 attract 978:24 attractive 964:10,11 audience 1105:17 audio 967:10 author 954:3 automakers 1118:11 available 957:21 958:5,6 959:7 963:7 968:3 971:5,9 1111:6,8,9 1118:4,10,15 Avenue 947:4,11 948:19 average 960:15 968:13 1104:17 aware 1104:3 1107:8 1118:9 away 960:3 970:13 979:11 1114:22 1115:15 awesome 1199:5 <hr/> B <hr/> background 974:13 1099:25 ball 951:12 ballpark 1095:10 BARKER 948:14 BARNETT 946:21 951:5,11,23 953:1,6,8,10,15	955:5,9 956:11 979:3,19 1092:2 1094:2 1096:16 1107:15 1118:21 1158:22 1193:5,13 1194:23 1195:1 1197:15 1204:21 base 1113:21 1118:1 based 966:24 1097:1 1102:15 1103:22 1193:25 basic 1103:25 1117:23 basics 1108:2 basis 954:16 957:7 958:25 959:5 964:21 966:25 969:20 1106:16 Bay 963:18 Beats 950:12,13 1202:15,18 1203:5 become 976:11 1105:17 becoming 1106:8,11 Beggars 1193:24 1194:5,9 1195:6,24 1196:7 1197:21 1198:3,7,15 1199:7,10 begins 1092:1 1155:1 1193:1,3 behalf 947:2,6,9,13,16, 21 948:2,6,10,13,17 1092:25 1108:1 1196:23 believe 954:11 974:7 1093:9 1099:24,25	1102:24 1105:2 1106:5 1116:5 1156:11 1203:10 1204:13 believed 1158:2,8 benefit 954:11 1158:9 Benet 951:21 Benjamin 949:9 besides 1195:24 1203:5 best 977:22 978:12 1200:18 1240:5 better 1196:11 beyond 1112:16 1114:17 bigger 961:16 biggest 1198:17 billion 967:25 binder 953:22 1097:18,21 1104:6 binders 1104:5 bit 959:19 1096:1,3 1110:22 Blavin 949:3 blip 1158:8 board 946:2 1195:17,21 bodies 1200:2 body 1195:16 Bollore 1156:12 Bonnie 949:15 1240:3 bottom 969:25 bouncing 1115:5 BOUND 979:23 1118:25 1204:25 break 966:19
--	--	--	---

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 4

brief 1155:6	CANNON 948:18	certify 1240:3	1201:25 1204:18
briefly 1196:8	cap 1114:20,21	CFO 1158:1,7	Christopher 949:9
bringing 963:6	Capital 949:15	chair 1156:14,15	cited 1114:14
broadcast 1102:4	car 966:9	chairman	claim 1115:12,19
1106:20	1118:10,16	1156:8,11,13	1117:21
1107:1,5	Caraeff 1158:14	1195:10 1200:1	clamor 959:23
Broadcasters	card 955:18	challenging	clarifying 1155:9
947:13	careful 1096:11	960:12	clear 979:17
948:10,17	1157:10	chance 954:5	1111:12
Broadcasting	carpet 966:13	1100:11 1116:16	clearly 1158:9
948:6	carte 957:7,10	change 956:16	clip 974:18
Broadway 947:22	958:17,19,23	957:2 961:11	clips 974:20,22
brought 1202:14	959:4,11,17	963:25 1158:3	close 952:12
BRUCE 947:10,14	966:24	changed	1092:16 1118:20
Bryant 949:3	Casale 963:17	959:18,19	closely 970:5
built 976:5	case 954:2 967:20	960:13,17,19	1195:13,15
bundles 959:11,12	1117:15 1155:19	977:9	cloud 957:15
bundling 958:17	cassettes 957:8	changes 1200:11	959:5
business	catalog 959:7	1201:1 1202:1	Cobbler's 948:7
952:14,17 969:4	1194:21 1198:12	channel 961:2	coffee 1201:9
971:16 972:14	1199:13	channels 963:1,2	Colin 949:3
973:13,14,15	causation 1116:21	charge 959:21,22	colleague's 1155:6
1092:11 1096:15	cause 1116:12	chart 954:15,18	College 948:17
1194:12 1196:12	cautious 1157:15	956:1 959:23	combination
1198:24	CD 957:23,24,25	charts 959:25	977:25 1103:13
button 1201:10	958:4,9 959:11	chief 946:21	comes 1199:25
1203:2	960:25 971:1,18	951:5,11,23	comfortable
buy 958:18 963:11	1116:22	953:1,6,8,10,15	1096:20 1105:17
974:25 976:13	CDs 957:8,20,21	955:5,9 956:11	coming 951:20
buyers 966:8	958:15 974:1	979:3,19 1092:2	1110:18 1199:14
973:15	1115:16 1116:13	1094:2 1096:16	Commission
buying 959:4	CEO	1107:15 1118:21	1240:15
	1156:8,17,19,20	1157:14 1158:22	committee
<hr/>	1157:5,7	1193:5,13	1092:18,21,24
C	certain 962:25	1194:23 1195:1	1093:11,13,19
Caitlin 949:12	966:7	1197:15 1204:21	1094:10 1095:21
California 947:4	certainly 966:7	choice 1110:10	1195:11
948:4	1096:17 1102:20	choose 1109:11	common
Canaan 948:8	1156:21 1158:6	1110:3	1094:12,13
cannibalization	certificate 979:21	Choudhury 949:2	community
975:12,20,25	1118:23 1158:24	950:8 1193:18	1199:23
976:8,9,15	1204:23 1240:1	1195:2	
977:23 978:13		1197:8,19	

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 5

companies 968:23,24 969:1 1095:23 1198:1 1199:9	975:2,5,7,20 1117:6	continue 965:17 971:23	1155:13,17,18,2 1 1156:2
company 949:15 962:2 969:25 970:17 972:25 1194:14,19,20 1195:23 1202:13	considerations 976:5	CONTINUED 948:1	1157:12,17,18 1158:10,11 1197:6
company's 958:8	considered 960:20,22 974:14,16	contradicts 1102:21	correction 956:3,8
compare 1199:8	Consists 1197:23	contribution 973:3	correctly 1104:24 1105:19 1156:10
compete 964:13 1097:12 1098:21 1113:18 1117:22	Consolidated 1195:22	control 964:14 1095:21	corrects 956:17
competes 1118:7	constant 1201:4,11 1203:2	convened 946:17	corresponding 974:7
competing 1106:8	CONSTANTINE 948:18	convenient 964:6	cost 977:22 1195:18
competition 1118:14	constantly 968:1 977:13	copy 957:11	costs 972:11,16,21 973:18
competitor 966:16	constituencies 1094:16	COPYRIGHT 946:2,20	counsel 951:21 952:3 955:15 961:3 975:17 1107:21 1116:15 1155:2 1193:17 1240:9
complaining 958:3	construct 1109:24 1110:9	core 963:24 964:3 1200:10	counties 1199:18
complement 1112:17	consumer 964:17 965:2 967:4,11 975:3 1202:7	correct 954:17 955:13 956:4 958:21 959:13 972:6 973:20 976:3 1092:6,7,11,12 1093:20 1094:11 1096:1,2 1097:8,14 1099:14,16,18,1 9 1101:18,19,23 1102:22,23 1103:1,2 1104:2 1105:4 1107:10,11 1108:14,18,23 1109:7,9,10,12,1 3,25 1110:1,10,18,19 1111:14,15,18,1 9 1112:2,3,6,7,11, 14,15 1113:6,7,11,15,2 4 1114:11,12,17 1115:2,3,16,17,2 3,24 1116:22 1117:7,8 1118:4,5	countries 1204:10,12
components 973:2	consumers 957:5 960:3 962:23 963:8,10 964:24 965:22 966:12 1201:8 1202:17 1203:1,20 1204:1,14		couple 954:15 1095:8 1105:24 1112:19
comprise 1197:21	consuming 957:14 960:7		course 953:20 973:11 974:3 1200:8
comprises 1198:11	consumption 960:9 963:3 966:6 967:8 970:13,14 971:4 974:5 1158:4		court 951:12,14 1095:9 1196:22 1198:21 1240:1
computer 957:13	content 967:23,24 968:1,2 973:5 1099:8,9		courtroom 979:18 1118:20,22 1204:22
concerned 960:6,14 976:10	contention 1118:1		Court's 1197:11
conditions 965:15 978:7,15	context 979:9 1103:12		cover 955:2 972:11,16 1155:7,25 1156:1 1157:2
conferences 1093:18 1094:9			covered 1110:8 1155:7,20
confidential 1096:12			
confirm 954:6			
Congress 946:3			
Connecticut 948:8			
consequence 1097:7			
consider 959:3 970:10 974:10			

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 6

covering 973:18	947:15,19	demonstrating	959:18 960:2
CRB 1093:19	948:12,16,19	1118:2	968:18,19,20,22
1094:10 1201:15	data 977:11	department	969:7,8,9,16
create 973:5,10	1102:15,21	1194:9	975:9,19
1115:9	1105:1 1114:18	Depending 1109:5	976:2,9,14
created 1200:20	1200:19,20	depends 976:18	977:9,23
creates 1115:8	1201:6	1103:12 1104:16	1155:14
creating 973:3	David 946:22	deposition	1194:1,3,9,11,13
creation 961:20	948:14,18 949:9	1093:25	,21
970:18 973:1	Davis 949:7	1095:1,4	diminished 1115:8
creativity 973:18	day 968:2	1097:11,23	DIR 950:2,6
creator 973:19	days 1095:9	1098:2,17	direct 952:3 954:1
credibly 967:21	1194:7	1100:6,18	974:12 976:1,8
CROSS 950:2,6	de 1156:8	1103:22 1113:9	977:19,20
cross-examination	deal 974:15,20	describe 954:9	978:22 1094:19
1097:18 1107:21	975:19 976:18	957:2	1096:5 1104:7
1155:2	978:4,10	described 973:23	1110:22
1193:7,11	1117:15	975:21 976:2	1114:24,25
Cult 1198:19	1194:18,21	978:2	1115:20,25
Cunniff 949:5	1204:6	describing 1203:6	1117:1,3,15,17
curation	deals 953:18 975:7	description 978:1	1193:17 1196:16
1202:16,21	1094:15	designated 1098:2	directly 957:12
current	1117:3,7,17	desire 963:10	1106:9
1155:10,15	decide 959:8	desktop 1109:9	director 1194:1,3
currently 1113:14	965:17	1111:6,9,12	dirges 1201:21
1155:11	decided 1194:10	details 1097:3	discovered 1199:1
1193:22,24	decision 1099:14	determination	discovery 1103:19
1198:3,5	Deck 950:17,18	946:7 958:8,9	discussed 970:3
custom 1101:22	decline 971:18	determine 968:15	discussion
1102:13 1107:6	1114:23 1116:12	develop 961:21	1093:17
customers	1155:12,20,22	device 957:12,17	discussions
1115:14	1156:1	die 1092:3	1093:18
customization	1157:3,20	differ 1117:11	dispense 1194:11
1102:25	declined 974:9	different 954:18	distinguishing
customized 1106:7	declining 971:13	974:2 977:7	961:5
1108:8,13,16	1116:6,22	1094:16 1106:25	distributing
1115:8 1203:11	definitely 963:15	1117:16 1200:16	961:23
cut 1099:3	972:24 1199:21	differentiate	distribution
Cynthia 949:5	1200:4	975:14	1194:16,21
	delay 951:7	digital 946:9	diverse 1198:16
	deliver 1202:6	952:17,21,25	DJs 966:20
	delivering	957:16,21	DMCA 967:18
	1203:17,25		968:4
<hr/>			
D			
<hr/>			
D.C 946:4,13			

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 7

Docket 946:6	easy 964:6	enabled 1199:16	1116:1,10
document 956:12	economic 964:11	end-product	1197:18 1204:5
1196:17,19	ecosystem 975:9	966:6	EX 1197:24
done 962:22	976:2 977:9	engineer 1196:6	examination
963:22 1099:24	Educational	engrained	950:2,6 952:3
1107:9 1196:4	948:13	1194:13	1193:3,17
Donna 949:11	effect 974:15,17	entertainment	example
Donnelly 949:5	975:20 976:1	966:14	976:12,14,15,17,
door 964:25	978:13,14	entire 952:22	21 1202:12
doubt 1193:10	1099:22 1105:6	959:3 1103:12	1203:4
download	effects 974:11,19	1109:15 1195:20	exceeded 971:18
959:1,3,4 960:4	975:2,5 977:7	Ephemeral 946:8	exceptions 959:8
961:2 971:13,15	Ehler 949:2 950:3	equally 972:15,20	excuse 955:15
976:14 1097:15	951:15,16 952:4	equivalent	975:17 1107:18
downloads 957:9	953:2,9,13,17	1195:14	Executed 950:19
969:9,16 971:1	955:7,10,11,17,2	era 957:21	exhibit
974:1 976:9,19	2	error 954:7,10	950:12,13,14,17,
977:24 1115:15	956:2,6,19,23,25	especially 971:14	18,19 953:23
1116:13,22	959:15 961:10	ESQUIRE	956:7,11,13
1155:12,14,21,2	962:17 967:2	947:3,10,14,18,2	1196:18
2 1156:1	969:21 973:22	2	1197:2,10,16,17
1157:3,20	978:19 979:4,16	948:3,7,11,14,18	EXHIBITS
1158:8	1092:8 1093:21	estimated 1095:1	950:10
draft 952:21	1096:11 1097:25	Ethan 949:7	existence 1199:11
drags 967:14	1098:6,9,12	Europe 1200:3	exit 1204:23
dramatically	1099:20	European 1204:11	expect 974:1
957:24 971:17	1100:11,12,16	Evan 949:11	1114:22
Draper 949:3	1104:7 1114:25	EVANS 947:17	expected 1156:2
drastically 971:14	1115:25	event 1107:4	experience 965:16
drawing 1115:14	Ehler's 951:13	everybody 954:23	1104:15 1116:24
drive 979:12	Elgin 949:13	966:3	1200:18,23
driver 971:16	1193:6,7	everybody's	1203:6
drives 973:17	Elisabeth 949:9	954:11	1204:16,17
dull 1201:18	else 955:13 1196:5	everyone 1194:12	experiences
duly 951:25	E-Mail 950:19	everything 955:13	1202:25
during 953:20	EMI 1094:23	1194:14	experiencing
958:12	emphasis 969:15	evidence 950:10	1204:15
<hr/>	employ 1199:19	956:7,14 971:10	Expires 1240:15
E	employed	977:10 1105:5	explained 974:16
<hr/>	1193:22,24	1114:8,13	explaining
earlier 968:11	1240:6,9	1115:20	1203:14
970:3 1156:13	employee 1240:8		explicitly 974:14
East 947:7 1199:4	employees 1194:8		

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 8

<p>exploitation 961:19 977:16</p> <p>extent 958:14 1093:22,25 1096:12</p> <hr/> <p style="text-align: center;">F</p> <hr/> <p>face 951:20 964:15</p> <p>fact 972:18 1101:20 1106:7 1108:16 1116:5 1118:13</p> <p>factor 961:16 1117:1</p> <p>factors 1103:3</p> <p>fair 977:24 978:16,17 1095:19 1097:2,4</p> <p>fairly 960:8 967:19 1201:18</p> <p>Fakler 947:22 956:10 1193:10,14</p> <p>fallen 962:1 963:1</p> <p>falling 962:9 971:17</p> <p>familiar 1158:15</p> <p>famous 1198:23</p> <p>fast 1155:12</p> <p>feature 1103:15 1112:8</p> <p>features 965:14 1103:9 1111:16 1201:2</p> <p>February 1156:18</p> <p>FEDER 946:23 1097:22</p> <p>feed 1204:17</p> <p>feel 1204:1</p> <p>feels 1096:18</p> <p>fell 957:24</p>	<p>Fifth 947:11</p> <p>FIGEL 947:17</p> <p>fight 963:16</p> <p>figure 975:13</p> <p>final 976:5</p> <p>financial 972:7 1157:8,14</p> <p>financially 1240:10</p> <p>financials 1157:16</p> <p>finding 1097:7</p> <p>fine 1116:15</p> <p>fingertips 971:9</p> <p>finish 951:8</p> <p>finished 1155:24</p> <p>Finkelstein 1093:6</p> <p>first 951:17,25 953:22 957:7 964:25 1097:21 1104:13 1109:1 1112:1 1157:25 1194:15,18,20 1199:1</p> <p>fit 967:4 975:8</p> <p>five 1200:13 1201:3 1202:4</p> <p>fix 956:21,23</p> <p>flat 962:6</p> <p>flip 1105:24</p> <p>Floor 947:4</p> <p>focus 959:25 960:5 972:25</p> <p>focused 959:21 965:25</p> <p>focusing 1113:21</p> <p>folks 960:1</p> <p>forced 968:5</p> <p>foregoing 1240:4</p> <p>forgotten 1158:23</p> <p>form 957:22</p>	<p>958:6,15,16</p> <p>format 957:25</p> <p>fortunately 1196:3</p> <p>Foundation 948:13</p> <p>Fourtou 1156:14</p> <p>FOX 947:21</p> <p>Francisco 948:4</p> <p>free 964:14,18,21,23 965:3,13 1109:8 1110:21 1111:3,5,8,13,20 1113:24 1114:9,11,21</p> <p>frequency 1104:22 1112:25</p> <p>friend's 1110:13</p> <p>front 1196:17</p> <p>full 971:7 1194:4 1195:18</p> <p>full-track 975:2</p> <p>fully 950:19 1111:13 1202:23</p> <p>full-year 1158:13</p> <p>functionality 978:2 1103:6,7 1203:9</p> <p>funding 972:25</p> <p>funneled 970:17</p> <p>future 973:7 1093:2 1158:3</p> <p>futures 1202:2</p> <hr/> <p style="text-align: center;">G</p> <hr/> <p>game 974:21,23</p> <p>gauge 968:14 969:3</p> <p>general 951:21 971:11 973:23 1199:23</p>	<p>generally 954:9 959:6 960:9 970:21,25 974:14 979:12</p> <p>generate 963:4 969:24 970:9 971:20 1104:18,19</p> <p>generated 965:24</p> <p>generating 960:12 970:11</p> <p>genre-based 1202:10</p> <p>GEO 947:6</p> <p>GEORGE 947:6,7</p> <p>gets 970:17 1203:20</p> <p>getting 964:18 975:3 1094:14 1095:20 1096:12 1097:2 1099:2 1203:22</p> <p>gigs 1199:3</p> <p>given 972:13,15 1096:8,25</p> <p>giving 1200:23</p> <p>GLENN 947:3</p> <p>goal 963:15 972:23,24</p> <p>goals 964:9 972:10,13</p> <p>GOLDEN 948:18</p> <p>Google 1202:14,15</p> <p>GOTSHAL 947:10</p> <p>Grand 947:4</p> <p>greatly 960:19</p> <p>Green 948:7</p> <p>Greer 949:5</p> <p>Gregory 949:7</p> <p>group 951:18 952:9,11,16,23,2</p>
--	--	--	--

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 9

4 1114:15 1193:25 1194:9 1195:6,24 1196:7 1197:21 1198:1,3,8,15 1199:8,10 1200:1 Group's 1155:11 1158:13 grow 962:15 975:15 1105:16 growing 960:7 1113:21 1155:11 growth 968:17 971:16 974:7 1114:20,22 1155:20,25 1157:1 1158:10 guarantee 1096:7 guess 1104:12 1117:18 1200:24 guys 1095:20 gym 1201:13 <hr/> <div style="text-align: center;">H</div> <hr/> habits 1092:3 half 962:6 1155:16 Hall 949:12 hand 963:16,18 handling 1193:4 HANSEN 947:17,18 happen 1157:1 happened 1193:14 happy 1200:25 Harbor 967:18 hard 963:24 964:3,4 973:14 1092:3 Harrison 949:9 950:2,12 951:18,24 952:7 953:3,12,13,14,1	9 957:1 975:19 1092:5 1096:14,17 1107:23 1155:4 Harrison's 956:7 Harvard 948:6 haven't 965:25 971:2 1102:20 1107:8 1114:14 having 977:13 1104:3 head 949:13 1194:6 hear 1108:23 1109:4 1111:25 1112:5,11 1203:18,24 hearing 946:16 979:20 1092:2 help 962:15 hereby 1240:3 hereto 1240:9 he's 956:21,23 1093:10 1203:22 hierarchy 1102:15,21 high 969:22 1099:7 higher 970:14,15 978:25 979:13 1096:1 1101:2,3,10,17 1204:10 highest 1099:18 historically 957:5 1199:15 hit 972:8 977:15 1103:16 1201:10 1203:2 home 966:13 homework 1201:12	honest 1201:19 honing 1200:21 Honor 951:15,19 979:2,16 1093:21 1107:13,20 1118:18 1158:21 1193:2,6 1197:9 1204:18 hope 963:14 975:9 1158:6 hopefully 965:15 966:22 975:15 hour 1112:1 hours 1114:21 HUBER 947:17 huge 970:9 hugely 1199:16 hundred 953:20 1198:5 <hr/> <div style="text-align: center;">I</div> <hr/> iHeart 1193:8 iHeartMedia 947:16 949:10 iHeartRadio 1113:17 1155:2,5 I'll 978:9 1099:3 1100:10 1107:18 1110:8 1193:10 illegitimate 963:17 I'm 951:7 953:1 962:20 970:20 972:17 979:16 1097:25 1101:4 1104:3,12 1106:3 1107:7,18,25 1108:1,5 1109:21 1115:5 1118:19 1155:5 1158:20 1193:24 1195:17,21	1196:15,16 1201:8,9,15 iMesh 963:21 immediately 1092:13 impact 961:13 976:19,20 979:5 1117:10,12 importance 960:16 961:12 important 961:1,4 969:23 impossible 968:3 inaccuracies 954:6 Inc 947:9,16 incentive 973:9 include 1106:22 included 1110:14 includes 1092:24 1094:23 1155:15 including 978:11 incorporate 977:21 increase 1106:6 1113:13 1118:14 increased 974:9 1113:24 1116:8 increasingly 1118:10 independent 1195:7,8,11,12,1 6,22,23 1199:8,14,20,22, 25 1200:2,5 indicate 1096:17 indicated 1096:9 1117:6 individual 958:20,24 966:24 1108:9 1203:16,18
---	--	--	--

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 10

industry 958:8,13 959:20 960:10 962:5,22 972:17 1102:17,19 1116:23,24 1158:3 1195:5,20 1196:2 1199:11 1203:25 inference 1099:11 influence 1103:22 influential 1199:13 information 954:9 962:19 979:17 1093:22 1096:15 1098:9 1197:5 1204:5 initial 976:22 innovate 1200:16 innovation 1201:5 inputs 1104:4 instance 963:21,23 973:12 instead 964:18 instrumental 1195:7 1200:1 integrations 1118:11 intent 958:12 interactive 961:5 977:21 1096:4 1103:10,11 1108:3 1200:13 1201:2 1202:19,20,24 1203:5 interactivity 1101:2,10,14,17 Intercollegiate 948:6 interested 966:8 1240:10	interesting 1202:13 interestingly 1204:7 interests 1200:6 interim 1156:15 Internet 1102:4 1115:8 interrogatories 1158:17 interviews 966:21 introduce 951:20 1193:11 inverse 1099:7 invest 970:18 investment 961:14,17 971:21 investors 1156:18 1157:11,17 involved 1195:3 1196:1 1240:7 isn't 1106:11 1117:14 1155:13 issue 976:10 issues 952:25 item 959:5 it's 954:6,12 955:7,18 959:19 960:19,24,25 963:3 967:9 968:3,14 971:5,6,7 972:15,24 973:14 974:13,18 1093:22 1095:19 1096:12 1098:10 1099:6,11,25 1102:18 1107:10 1108:7 1113:14 1117:18 1196:22 1198:24	iTunes 969:19 976:13 IV 946:9 I've 1195:15 1196:3,4,5,6 1203:14 <hr/> J <hr/> Jackson 949:5 1193:9 January 1157:20 Jean-Rene 1156:13 Jeff 1093:6 Jennifer 949:3,13 1193:7 JESSE 946:23 Jillian 949:14 job 962:22 963:23 1092:9 1194:4 1200:10 John 949:11 1155:4 JOHNSON 947:6,7 joining 1092:13 Jonathan 949:3 Joseph 947:14 949:7 Judge 946:21,22,23 951:5,8,10,11,23 953:1,6,8,10,15 955:5,9,15,21 956:11,15,21 957:19 958:7,14 959:10,14 961:3,9 962:8 963:9 964:8 965:5,20 967:1 969:5,13,15 972:1,9,15 973:8,17,21 975:17,23	976:7,24 977:2,17 978:3,8,18 979:3,19 1092:2 1094:2 1096:16 1097:22 1106:15 1107:2,15 1116:25 1118:21 1158:22 1193:5,9,13 1194:23 1195:1 1197:15 1201:21 1204:21 JUDGES 946:20 June 949:3 justified 1103:1 <hr/> K <hr/> KARYN 948:11 KELLOGG 947:17 Kelly 949:2 KENNETH 948:3 Kevin 949:11 key 1202:16 KING 948:2 Klaus 949:2 KNAUER 948:14 known 1198:21 Kooker 1095:8 Kuruvilla 949:3 <hr/> L <hr/> la 957:7,10 958:17,19,23 959:4,11,17 966:24 label 1199:20 labels 952:24 959:22 960:1,22 967:21 970:17 1193:25 1195:13,16,23
--	--	--	--

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 11

1196:7 1197:20,23 1198:3,6,8 laid-back 1204:15 landscape 967:5 large 1117:23 1199:21 largest 967:6 Larraondo-Klipper 949:2 Larson 949:9 950:4 956:9 1107:19,20,22,2 5 1118:18 last 955:8 957:10 962:3,5 963:16 971:14 974:6 1105:25 1106:3 1114:3 1115:7 1116:6 1197:1 1200:13 1201:3 1202:3,14 late 958:1 later 955:3 1108:25 law 1092:14 lawyer 1092:17 1157:12 lead 1204:13 Leading 979:1 lean-back 1202:25 1204:15 learning 977:8 least 968:9 971:18 1101:21,25 1102:7 1114:15 leave 1193:15 legal 952:15 963:12 964:4,9 965:7,8 1092:10 legitimate 964:13 legitimize 963:19	LeMoine 949:2 Leo 949:11 Leslie 949:12 1193:8 less 976:13 1101:18 1103:10,18 1105:3 1198:21 1203:1,20 let's 978:4 1096:3 1104:13 1105:24 1108:1 1115:4 1200:12 level 962:4 971:21 972:4 977:15 1101:2,10,13 levels 1101:17 Lewis 949:7 Library 946:3 license 967:22 968:6 975:13 977:19 978:22 1117:3 licensed 1094:16 licenses 974:12 1094:10 licensing 959:18 974:19 1092:18,24 1093:10,13,19 1095:21 1097:13 1194:16 1195:16 life 957:25 1196:4 light 1113:18 likely 976:13 1198:21 likewise 1155:23 1157:14 Limewire 963:17 limited 963:24 1102:25 1195:18 line 954:18 955:18,19 956:1	969:25 1098:10,11 1100:14,15 lines 1100:12 link 974:25 listen 966:5 974:22 1108:14,18 1109:12,15,18 1110:3 1200:25 listener 976:11 listeners 957:14 965:22 1116:7 listening 957:11 966:14 1112:2 1116:11 listens 966:3 1110:12 litigation 1093:20 1094:11 little 1096:1,3 live 1196:7 LLP 947:3,10,13,21 948:2,10,14 load 1105:2 1112:20 1113:19,24 loan 1104:20 local 957:16 Logo 952:17 London 1193:25 1199:4 long 952:10 Los 947:4 lot 964:20 967:9 969:19 1108:3 1203:24 lots 970:8 low 965:1 978:23 lower 962:4 978:23 979:7	1097:8,16 1101:13,14 1102:25 1103:8 lowered 1097:5 <hr/> M <hr/> Main 948:8 mainly 1099:6 maintain 971:20 972:2,4 major 1097:7 MALONE 948:7 950:3 MANGES 947:10 manipulate 1106:24 MARK 947:18 marked 953:23 market 967:14 973:24 974:2 975:15 1094:21 1095:14,22 1204:5 marketing 960:1 961:23 marketplace 975:6 977:14 979:9 Marks 949:9 1193:3 1197:11 Martha 949:2 Martin 949:5 masses 1158:4 Matador 1197:23 matched 1097:15 material 1118:19 materials 1158:21 math 1095:19 matter 946:16 maximization 972:23
--	--	--	--

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 12

maximize 963:6 may 978:20 1110:7 1155:8 1193:3 1199:6 1203:11 1240:16 maybe 962:6 1100:15 1198:10 mean 957:4 958:23 962:1,21 964:12 966:2 967:14 968:12,17 971:4 974:3 976:16 977:9 1106:21 1108:12 1204:1 meaning 957:15 971:12 1099:7 meaningful 1114:15 means 961:15 970:4 media 947:9 948:13 951:22 961:18 968:24 1107:21 1108:1 1194:6 1195:10 meet 972:10 1093:14 meeting 972:21 meetings 1095:21 Melinda 949:2 mention 972:10,18 mentioned 1103:21 1156:4 1157:19 mentions 1110:21 merchandise 1099:9 Merlin 1195:15 met 1107:25 method 967:8 metric 960:13 968:14	metrics 968:24 Michael 949:13 mid 958:1 middle 1102:13 1117:20 migrate 965:3,23 966:17,22 migration 965:6 966:1 Miller 949:11 1107:17 Mindful 1197:11 mine 1201:5 mined 1200:21 minimum 1096:7 minute 968:1 973:24 mistake 956:18 mistakes 956:20 mistranscribed 954:14 mix 963:2,5 mobile 1111:6,10,21 model 957:3,11,13 959:17 960:5 962:13 971:4 1158:4 1198:24 models 970:2 1203:12 moment 1111:17 1155:17 monetize 968:9 money 969:1 970:6,16 973:4 979:14 monologue 951:9 mood 1103:22 1201:8 1202:16 mood-based 1202:10,21	morning 951:5,9,15,23 1193:20 1201:13 move 968:17 979:17 1197:9 1201:7 1204:19 moved 957:20 moving 960:3 962:12 multitude 964:18 MUNGER 947:3 music 947:6,7 951:18 952:9,11,22,23,2 4 957:6,14 959:7 960:8,10 961:18,20,22,23 962:23,24 963:3,7,11,12,20 964:2,5 965:3,4 966:5,8,12 967:8 968:8,20 970:18,19,24 971:8,9,21,24 973:1,4,5,10,24 977:16 1094:21 1095:14,22 1099:4 1114:3 1155:10 1158:12 1195:4,11,19 1196:1,4,12 1199:13 1200:15,18,22 1201:11 1202:15,18 1203:3,18,22 1204:1,17 musician 1196:5 myself 1193:12 1194:10 1195:10 <hr/> <p style="text-align: center;">N</p> <hr/> N.W 947:14,18 948:11,15,19 NAB 949:13 1193:7	Nashville 947:8 National 947:13 948:2,10 nature 1093:24 1116:18 necessarily 964:3 970:11,12 negative 978:14 negotiate 952:21 975:6 negotiated 953:18 976:6 negotiating 974:12 978:22 negotiations 975:24 1096:4,25 niche 960:21 nondisclosure 979:20 1118:23 1158:24 1204:22 none 1112:13 noninteractive 961:6 1202:18 non-interactive 1202:3 Notary 1240:13 nothing 952:1 nowadays 1203:9 NPR 949:6 <hr/> <p style="text-align: center;">O</p> <hr/> objection 956:9,10 979:1 1093:21 1197:12,13,14 obligation 1157:10 obstructionist 1098:1 obvious 972:13,16,20,21 occasion
---	--	---	--

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 13

1096:8,24 offer 956:6 965:12 1099:14,23 1100:21 1158:12 1202:24 offered 1201:2 1203:6 offering 1097:8 1202:15,17,22 1203:21 offerings 1200:9,12 1202:3 officer 1157:15 offices 1199:18 offset 1155:12 Oh 955:21 1101:6 okay 953:10 962:21 977:1 978:3,18 1095:8 1097:5,10,17 1098:13 1099:10,13 1100:5,16 1104:11 1105:1 1106:3 1111:1 1118:21 1158:22 1197:8 Olasa 949:3 old 1092:3 1107:18 1199:2 1200:15 OLSON 947:3 on-demand 1101:17,18,23 1102:10 1106:9 1109:2,14 1111:8,13 1117:12,17,21 1118:3 1202:23 one-by-one 957:10 958:24 959:5 966:25 one-to-one 1107:6	online 1194:16 open 953:22 1095:9 1099:24 1155:1 opposed 957:16,22 958:15 963:11,12 1092:10 1107:5 opposite 974:8 optimal 977:15 options 964:7 order 968:6 971:20 972:2 1101:22 1112:11 1113:18 1158:3 organization 1199:21 organizations 1195:4,8,25 original 1106:19 originally 956:17 others 1095:25 otherwise 1114:4 1118:3 1196:1 outline 1193:20 outside 966:12 979:21 1118:23 1158:25 overall 975:9,16 978:4,10 overly 1201:6 Overruled 1094:2 owned 972:7 1156:4 ownership 957:2 959:16 OXENFORD 948:14 <hr/> P <hr/> page 950:11 1097:20 1098:16	1100:8,10 1104:10 1105:25 1108:5 1197:1 pages 946:8,9,10 1105:24 paid 963:4 964:19 965:3 1111:3 Pandora 947:9 949:8 950:16 951:22 1107:21 1108:1,17 1109:11 1110:7,9,12,13,1 7 1113:13,16,22 1114:3,9,10,11,1 6,19 1115:21,22 1118:2,4,6,9,15 1155:16 1193:4 Pandora's 1113:18 paragraph 954:12 955:7,8 1104:10,14 1105:25 1106:4 1108:6 1110:20 1112:21 1114:1,2 1115:4,13 1117:19,21 particular 954:24 959:9 962:16 974:15 975:8 1100:22 1103:16 1104:18 1108:14,17 1109:3,12 1111:18,25 particularly 1204:11 parties 1240:6,9 partner 1117:3 Partnership 950:14 passive 1202:25 past 959:20	963:20 1097:16 Patrick 949:5 Paul 947:22 1193:10 pay 965:12 971:22 1114:4,16 1115:1 1204:2 paying 965:18 1155:16 payments 972:3 peers 1203:24 Pennsylvania 948:19 people 966:11 967:7,10 1115:1 1158:4 1199:19 per 960:13,15 968:13,25 969:2 970:6,11 977:18 1104:17 perceived 965:2 1099:21 1100:19 percent 960:23 962:6 968:19,20,21 969:12 1094:21 1095:2,10,12,13, 17,21 1204:9 percentage 977:18 perception 1102:16,18 perfect 1203:20 perfectly 972:20 performance 946:9 977:11,18 1112:17 1195:17,19 performer 1196:5,9 perhaps 976:10 period 960:17 964:22 965:19
---	---	--	---

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 14

periods 971:18	playlist 1108:20,25 1109:1,25 1110:3,4,10 1112:9,10	practice 1092:14	produced 1158:16
permanent 957:9 1115:15 1116:12	playlists 1109:24	prediction 1105:21 1156:3 1157:8	producer 1196:6
personalized 1106:8,11 1202:9	plays 979:10,11	predictions 1105:15	product 958:24,25 960:21 971:5,7 973:19 975:3 1114:10 1200:8,12 1202:2
phone 957:13	please 951:6 952:5 962:20 979:21 1097:20 1118:23 1158:25 1204:23	predominantly 957:21	profit 972:4,10,19,23 973:16,17
phones 966:13 1111:6	PLLC 947:17	premium 1109:6 1203:21	profitable 1097:2
phrase 1203:23	point 964:11 967:3 1100:7 1158:21 1194:22 1198:4	preparation 1095:5	profit-making 973:13
physical 958:2,4 961:1 968:18,21 971:13	pointed 1112:23	prepare 1196:24	profits 961:17 973:8
pick 1108:14,17,19,2 2 1109:3,24 1111:17,25 1112:5	Pomerantz 947:3 951:11,13	PRESENT 949:1	programming 1106:19,20,24 1201:8
piece 1098:9	Pope 949:12 1193:8 1197:13	Presentation 950:17,18	project 1155:24
piracy 963:23 964:10	population 964:1	press 1113:9	projecting 1155:24
pirate 963:18,24 964:2	portion 971:6	pretty 1194:13 1199:10 1203:7	promote 970:21,25 971:3
pirates 963:11,12	portions 1117:23	price 964:9 965:2 967:11 1097:15,16	promotional 973:25 974:4,10,15,17,1 9 975:1,2 1099:21 1100:19 1115:21
pitch 1099:4	position 952:13 959:23 968:15 1158:9 1193:23 1194:2 1199:11,17 1200:8	primarily 959:20 968:23 1092:10	prong 960:11
Pixies 1198:19	positive 1107:7	primary 964:14 967:8 971:16 1093:17 1094:8	proposing 1097:6
places 966:14	possibility 966:2	prior 1197:12	provide 964:4 965:1 967:23 1200:16,18,22
plan 972:7 1158:13	possible 962:15 964:5 968:10 975:10 979:13,15 1099:18 1107:10 1112:12 1117:18 1118:14 1156:21 1200:18	private 1092:14	provided 957:16 964:6
plans 1157:8	potential 975:12 1117:2	privilege 1094:1	provides 969:19
platform 966:19 968:7	potentially 970:13 975:1	privileged 1093:22 1094:14	providing 962:24
play 959:9 1099:3,8 1104:21 1108:20 1112:25 1114:20 1202:15		probably 1157:7 1198:11 1199:12	pub 1199:4
played 974:25 1102:5 1106:21 1113:17 1196:6		proceeding 973:3	public 946:11 948:2 951:3 979:22 1092:1
playing 1102:4 1199:3		proceedings 1196:23 1240:5,7,10	
		processes 968:4	

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 15

1115:6 1118:24 1159:1 1193:1 1204:24 1240:13 Publicly-available 1105:14 PUBLISHING 947:7 pump 966:20 purchase 957:6,11 958:19,24 959:2 966:25 971:8 purchasing 966:23 pure 958:17 purposes 966:14 967:10 Puyfontaine 1156:8 <hr/> Q quarter 1157:24,25 Queens 1198:19 question 957:19 970:23 978:21 1093:24 1094:3,5 1096:21,22 1098:20 1100:5,19 1101:5,7 1116:2 Questionnaire 950:14 questions 1092:8 1099:20 1107:13 1108:4 1112:20 1115:6 1116:16 1117:1 1155:6 1158:19 Quick 957:19 quite 958:16 959:19 1199:1,21,24 1203:24	quoted 955:22 quoting 1101:4 <hr/> R Rachel 949:3 radio 947:21 948:2,6 965:23 966:1,4,15,18,23 1104:23 1105:3 1106:10 1113:1 1115:8 1118:7,15 1202:9 ran 1113:14 range 1198:16 rank 1101:20 rate 955:18 975:23 976:6 977:18,19 979:7 1097:8 1099:18 1101:1,3,9,11,14 1103:1 1106:6 1155:17 rates 946:8 977:21 978:1,4,11,15,23 1097:6 1099:3,7,23 1100:21 1103:7 1106:5 1155:10,15 rather 958:9,19 Rdio 1109:15,23 1203:8 Re 946:6 reach 1105:18 reading 1113:9 ready 961:22 realistic 975:11 realize 964:16 realized 1196:11 really 958:1 959:25 962:16 963:25 966:15	967:22 970:4 971:19 974:16,17 1113:20 1194:4 1200:21 1201:5 1202:16 reason 972:25 1101:16 1105:2 reasonable 1099:11 REC 950:2,6 recall 1097:9 1114:20 received 956:17 recently 957:8 960:25 971:17 1095:5 1197:25 recognize 1114:24 1196:19 recommendations 1203:15 record 952:6 958:7 959:20 967:21 1193:25 1195:13 1197:20 1199:8,23 1240:4 recorded 1094:20 1095:14,22 recording 946:8 958:20 961:22 971:24 1108:14,17,20,2 4 1112:17 1115:9 recordings 946:9 961:14 1108:9,22 1194:17 1197:24 1198:12,13 records 957:7 1197:23,24,25 1198:7 RED 950:2,6 reduce 963:10	964:9 reducing 963:23 refer 961:4 969:8 reference 969:11 referred 969:7 referring 969:9 reflect 978:12 1105:15 1106:6 reflective 975:24 regarding 950:19 1116:18 region 1198:10 regular 1198:9 REIN 947:13 948:10 reinvest 961:19 relate 970:1 related 1103:15 1116:1 1240:6 relative 1240:8 relatively 964:10 relax 1201:13 release 961:22 966:22 1198:8,9 relevant 1103:4,5 relief 1096:6,8,25 Religious 948:10 reluctance 972:9 rely 967:24 968:23 remain 977:12 remember 958:2 1100:6 1110:24 1116:3 1117:4 1156:16 1157:22 remixer 1196:6 remote 957:15 renegotiation 1096:5 renew 971:23
---	---	--	---

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 16

reopened 1158:23	1112:25	Rushing 949:3	sees 973:12
repeat 970:23	return 961:13,16	Russo 949:15	segment 964:1
1094:4 1096:22	1104:15	1240:3	select 1109:15
1101:7 1194:23	revealing 954:8		1112:9 1201:8
repertoire 952:22	1096:15	<u>S</u>	sell 958:4,9 973:14
1201:22,24	revenue	Safe 967:18	1113:5,20
rephrased	960:5,12,15,16,2	sale 959:10	senior
1096:24	1,24 961:2,12,24	1115:15	952:14,19,20
replace 1106:19	962:9 963:6	sales 960:4,25	sense 970:19,24
reported 1114:19	968:7,13,20,25	961:1,2,18	971:11 1116:23
REPORTER	969:24	963:1,2	sensitive 1096:15
1240:1	970:11,22	971:12,13,15,19	sentence 1104:13
Reporting 949:15	971:20 972:1,3	974:7,9 1115:23	1105:8,12
reports 1113:10	974:1,7	1116:6,12,22	1106:4 1108:7
representatives	977:15,19	sample 971:6	1112:24 1114:3
1093:5	1104:17 1113:14	San 948:4	1115:7 1116:17
representing	1115:15	satisfactory 972:5	sentences 1104:14
951:16 1155:5	revenues 962:1	save 1158:14	1105:13 1116:18
1195:8	963:4 965:21	saw 962:5 1199:3	SEPARATELY
reputation	971:1 1105:16	scheduled 1093:14	979:23 1118:25
1199:24 1200:4	1113:20 1155:11	Schneider 949:11	1204:25
research 1118:2	review 954:5	school 1199:3	serious 951:10
respect 1097:13	reviewed 1102:16	Scott 949:11	servers 957:15
1098:22	Rhapsody	seated 951:6	service 957:16
response 1158:17	1109:15,21,23	second 948:3	959:6 964:21
responsibilities	1110:2	960:11 961:1	965:7,8,10,12,14
952:18 1092:9	RICH 947:10	976:25 1098:4	,16,24 967:7,9
restricted 954:8	951:19 1193:2	1104:13 1108:7	969:22 974:18
955:10	rights 1195:19	section 1098:12	975:8,13,14
956:12,22,24	Rob 949:11	1204:20	976:1,9
962:18 977:4	room 979:20	sector 1195:7,9	978:1,23,24
979:17,23	1092:3 1199:4	1199:14,25	979:6,9,11,12
1115:6	Rose 949:2 951:16	1200:5	1099:22,24
1118:19,25	Rough 1197:24	seem 964:10	1100:20,22
1158:21	roughly 1155:16	seems 972:20	1103:10,13
1204:19,25	1198:5	seen 953:16 957:9	1108:13,16
restrictions	royalties 965:24	966:18 971:12	1109:2,5,6,8,14
964:15	Royalty	974:4,6,8	1110:23
restrictive 1098:3	946:2,7,20	977:6,10	1111:20,22,24
result 1106:5	Rs 953:9,10,13	1102:20 1113:17	1112:4,14
retailers 958:3	rulings 1197:12	1200:11 1201:1	1113:23,24
reticent 1104:21	running 1113:15	1202:2 1204:4,7	1114:11,21
			1115:2 1118:3
			1194:24 1201:2
			1202:16,19,20

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 17

1203:5 1204:9 services 952:22 959:17 960:17 962:14,15 963:13,17,19 964:9,13,16,18,1 9 967:13 968:15 970:5,6,9,15,16, 20,21,25 971:3,19 973:6,25 974:4,8,11 975:2,10,15 976:20 977:7,11,21 979:6,14 1094:17 1096:4,9,25 1097:13 1098:23 1099:1,4 1101:21 1104:15,17,19,2 1 1105:8,15,18 1106:7,9 1108:3,8 1112:20,24 1113:5 1115:13,14 1116:8,19 1117:11,12,17,2 2,23 1195:23 1200:9,13,15,17 1201:6 1202:3,6,7,9,24 1203:7,17,25 1204:3,8 session 946:11 951:3 979:22,23 1092:1 1099:24 1118:24,25 1155:1 1159:1 1193:1 1204:24,25 sets 1103:9 setting 1200:2 settlement 1094:15 seven 1092:22	1194:11 several 963:16 Shakes 1198:19 share 1094:20 1095:9 shift 957:9 959:16 962:13 963:2 1116:7 shifts 963:9 ship 1193:15 shop 1201:9 shorthand 978:9 showed 1116:20 shuffle 1110:23 1111:9,21,24 1112:4,5,8 shuffled 1112:11 sign 976:6 1114:9 1198:22 1204:22 signatory 1158:24 signature 1197:3 signed 979:20 1118:22 1196:7 1198:2,5 significant 960:24 1194:20 signing 961:20 SIMON 950:7 simulcast 1101:22,25 1102:3 1106:24 simulcasters 1105:3,9,22 simulcasting 1103:25 1104:3 1106:10 simulcasts 1106:18 single 958:16 singles 957:22,24 958:4,10	sir 1097:24 SiriusXM 947:21 949:4 1193:10 situation 968:6 978:21 1107:6 six 1092:15,16 1112:1 1194:10 size 1194:20 skyrocket 974:5 Slacker 950:18,19 1096:6 Sliding 1103:18 small 1197:22 smaller 1198:21 smallest 1198:17 social 968:24 sold 958:1,15 someone 976:11 somewhat 962:3 1117:16 somewhere 1102:13 1198:10 S-O-N 953:6 song 958:5 974:23 1110:4,18 SongPop 974:21 songs 958:18 974:24 976:13 1111:18 1112:1,5,6,10 Songza 1202:13 Sony 1093:5,7 1095:2,13 1097:12 1098:22 Sony's 1095:9 sophisticated 1200:17 1201:7 1203:15 1204:2 sorry 951:7 953:1 958:4 962:20 970:23 1092:2	1101:4,6 1104:5 1108:6 1109:21 1115:4 sort 965:24 1113:10 1202:8 so-to-speak 959:11 sound 946:9 961:14 1112:16 1194:16 1198:7,13 SoundExchange 947:2 949:1 950:11 951:16 952:3 953:23 1092:19 1093:14 1094:9 1158:18 1193:17 1196:18,23 1197:9,15,17 SoundExchange 956:13 sounds 1198:11 soundtrack 1201:10,18 source 961:12 1105:23 sources 971:1 973:25 South 947:4 space 1106:23 SPALDING 948:2 speak 958:12 962:10 speaking 970:20 1156:17 specific 1116:20 1157:20 specifics 1096:13 1099:2 spelling 953:3 spending 961:21 spent 963:15
---	---	---	---

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 18

Sperle 949:9	stereo 957:13	959:10,14	1203:12
Spotify 962:16	Steve 951:21	961:3,9 962:8	substitute 1203:11
976:12,21,22	sticky 1202:8	963:9 964:8	substitution
1109:3,6,8	Stone 1198:20	965:5,20 967:1	975:20,25
1110:21,22	stop 964:3 976:24	969:5,13,15	977:23 978:13
1111:2,13,21	storage 957:17	972:1,9,15	1117:2
1203:8	store 959:1,3,4	973:8,17,21	substitutional
Square 947:7	964:17 976:13	975:17,23	974:11 975:5
stabilize 965:21	stores 1097:16	976:7,24	1099:22
stabilized 962:3,9	strategic 1158:13	977:2,17 978:3,8	1101:18,21
stands 968:13	strategy 968:16	1106:15 1107:2	1102:1,7,10
start 965:18	977:13	1116:25 1201:21	1115:22 1116:18
1104:13 1108:1	1093:19,24	strong 967:19	1117:10,11
1155:8	1094:10	struck 972:17	substitutionally
1200:2,12	stream 960:21,25	structure 952:20	1100:20
started 960:19	1201:4,11	1194:5	success 968:14
971:16 1202:24	1203:3	studio 1196:6	969:4
starting 1104:12	streaming 959:6	stuff 1155:7	successful 960:9
state 952:5	960:17,20	Sturm 949:13	1199:13,16
statement 950:14	961:4,7,12,15	950:4 979:1	sufficient
977:24 978:16	967:6	1092:4 1093:23	1104:16,19
1106:17 1113:4	969:10,17,22	1094:6 1096:19	sufficiently 971:22
statements	970:10,20,25	1097:24	suggest 1108:13
1105:14	971:2,19	1098:5,8,10,15	1114:2 1115:7
States 946:2	973:6,24	1100:14,17	suggesting
954:22	974:3,5,8,11	1107:3,12,16	1115:22
955:2,19,23	976:20 1101:21	1112:19,23	suggestions
1204:9,14	1104:19,21	subbing 1193:9	1097:1
static 977:12	1105:7,14	subject 1093:17	Suite 947:7,19
station 1110:13,14	1113:5 1114:3	1094:8,12	948:4,15
statistics 966:3	1115:12,14	subjects 1094:14	summary 1100:2
statutorily	1116:8	submitted 956:16	support 962:14
1094:16	1155:11,20,25	subscribe 1114:16	968:16 970:15
statutory 973:1	1156:1 1157:2	1118:3	979:12 1113:8
1106:5	1158:2,10	subscriber 969:2	1204:6
1112:14,20	1200:9,13	subscription	supporter 1195:6
1116:11,21	Street 947:14,18	962:14	supportive
1117:10,15,22	948:3,8,11,15	964:16,19,24	1199:22
1155:16	STRICKLAND	965:12,18	sure 959:24
STEINTHAL	978:18	966:17 967:12	967:15 977:2
948:3	Strickler 946:22	1113:23	1096:23 1098:4
step 1109:22	951:8,10	1114:5,10	1100:9 1110:8
	955:15,21	1115:2 1117:22	1113:12
	956:15,21	subscription-	
	957:19 958:7,14	based 965:7	

Page 19

[illegible]

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 20

1196:18 1197:10 true 954:6 955:13 956:4 1095:24 1117:14 1157:25 1197:6 1240:4 truly 1097:25 truth 951:25 952:1 try 964:21 965:14,21,22 968:9 972:10 977:14 1113:18 trying 962:13 963:16,19 973:4 1098:1 1113:19 1115:5 1200:17 1202:5 Tuesday 1093:10 tuned 1203:16 Turks 1197:25 turn 966:9 type 1202:9,25 1203:9 1204:16,17 types 1201:13 typical 1198:8 <hr/> <div style="text-align: center;">U</div> <hr/> U.K 1195:12,19 1200:3 U.S 966:3 968:19 1094:20 1095:13,22 1200:3 UMG 1156:4 UMG's 970:21 understand 1102:3 1156:7 understanding 977:22 978:12 1156:25 unfortunately 1196:11	unique 1199:10 unit 970:10 United 946:2 954:21 955:2,19,23 1204:8,14 units 959:21,25 960:14 970:8,9,13,14 Universal 951:18 952:9,10,23,24 953:21 958:11 960:20 968:19 969:20,23 977:20 978:10 1092:6,10,14,18, 25 1097:12 1098:21 1099:23 1100:21 1104:16 1155:10 1158:9,12 Universal's 960:23 961:13 970:25 977:22 978:12,21 1094:20 unless 974:18 unlicensed 963:20 unmanned 1193:15 unprofitable 1096:10 unrestrict 1098:7 upgrade 1203:21 upload 967:24 uploading 967:20 968:1 upsell 964:23 965:11 1113:23 upstairs 1199:4 Uruguay 954:21,24 955:16,18,23 956:17,20	usage 979:13 1204:9,10 user 960:13,15 963:24 967:20 968:13,25 969:19 970:6,11 1104:17 1108:16 1109:3,11,14,23 1110:7,9,12,13,1 7 1111:24 1112:5,9 1113:21 1203:16,18 users 960:7 964:3,5,20 966:7 967:24,25 970:7 978:24 1108:9,13 1109:21 1110:2 1111:17 1113:22 1114:4,9,15 1117:24 1118:2 1200:17,21,23 user's 957:17 <hr/> <div style="text-align: center;">V</div> <hr/> vacuum 975:7 value 965:1 978:4,9,10 1104:16 Vampire 1198:18 Van 1093:9 various 952:21,24 977:11 1118:10 version 1111:13 Viacom 967:20 vice 952:14,19,20 Video 1195:17 video-playing 967:9 videos 1195:19 view 964:11 1118:13 Vincent 1156:11	vinyl 957:7 Vivendi 972:7 973:12 1156:5 1157:15 1158:1 Vivendi's 1156:7,11 Volkmar 949:14 volume 946:8 970:9 <hr/> <div style="text-align: center;">W</div> <hr/> wait 979:21 1118:23 1158:25 waiting 951:8 waived 1094:1 Walker 1093:6 Warner 1093:3 1095:16 1097:13 1098:22 Washington 946:4,13 947:15,19 948:12,16,19 wasn't 958:11,16 960:22 962:19 1101:4 1158:1 ways 953:16 962:23 963:20 964:20 965:9,20,22 966:4 Web 946:9 webcaster 1117:16 webcasting 1106:7 1108:8 1112:24 1116:11,19,21 1117:10 1203:11 week 1093:14 Weekend 1198:18 weekly 1094:8 1095:20 weeks 1156:18
---	--	--	--

Capital Reporting Company
In Re: Determination of Royalty Rates (Public) 04-30-2015
Page 21

<p>WEIL 947:10</p> <p>we'll 955:2</p> <p>Wells 949:11</p> <p>we're 960:2,6,14 961:17 963:4,6,25 964:3 967:22 968:5 972:6 973:2 975:11 976:8 977:13 1098:6 1111:2 1197:22</p> <p>Wetzel 949:7</p> <p>we've 960:13 963:1,15,22 964:12 974:8 977:6,10 1113:16 1197:25 1199:11 1204:7</p> <p>whatever 1201:12</p> <p>Wheeler 950:7,14 1193:19 1197:20 1200:7 1203:10</p> <p>whenever 962:24</p> <p>whereas 959:5</p> <p>wherever 962:25</p> <p>whether 957:12 958:25 961:20 964:22,23 968:8 970:19,24 979:7 1099:21 1103:4 1113:13 1117:1 1157:2</p> <p>whoever 1157:5</p> <p>whole 952:1 959:6 961:8 962:5 975:6 979:10 1204:15</p> <p>Wilcox 1093:2</p> <p>WILEY 947:13 948:10</p> <p>WILKINSON 948:14</p> <p>WILLIAM 948:7</p>	<p>Williams 949:11</p> <p>willing 965:2 979:7 1098:6 1099:23 1100:21 1114:16 1115:1</p> <p>witness 951:17,19 953:5,7,12,16 955:25 957:23 958:11,22 959:13 961:7 962:11 963:14 964:12 965:9,25 969:11,14,18 972:6,12,22 973:11,20 975:22 976:4,17 977:1,5,25 978:6,17 1093:2 1094:4 1106:18 1193:4 1194:25 1201:23</p> <p>witnesses 972:17</p> <p>won 967:19</p> <p>wondered 1193:14</p> <p>work 952:8 1195:13,24 1198:16 1201:12 1203:1</p> <p>worked 952:10 1194:15 1195:15 1196:4</p> <p>working 964:4 1201:9</p> <p>world 960:2 968:18,22 969:3 1199:19,20</p> <p>written 950:14 957:1 1094:19 1104:7 1193:20 1196:16 1197:5</p> <p>wrote 1100:1 1105:12 1116:17</p> <hr/> <p style="text-align: center;">X</p> <hr/> <p>Xbox 1203:8</p>	<p>xx 1198:19</p> <hr/> <p style="text-align: center;">Y</p> <hr/> <p>Yolkut 949:9</p> <p>York 947:11,23</p> <p>young 1197:25</p> <p>YouTube 967:4,6,7,17 968:3,6</p> <p>you've 1092:5,21 1104:1 1116:10</p>	
---	--	--	--